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P R O C E E D I N G S

(9:34 a.m.)

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2
3 MR. CARPENTER: Good morning and welcome to
4 the United States International Trade Commission's
5 conference in connection with the preliminary phase of
6 antidumping investigation No. 731-TA-1054 concerning
7 imports of hand trucks from China.

8 My name is Robert Carpenter. I am the
9 Commission's Director of Investigations and I will
10 preside at this conference.

11 Among those present from the Commission
12 staff are, from my far right: George Deyman, the
13 supervisory investigator; Elizabeth Haines, the
14 investigator; on my left, Mark Bernstein, the
15 attorney/advisor; Clark Workman, the economist;
16 Charles Yost, the accountant; and Peter Andersen, the
17 industry analyst.

18 The purpose of this conference is to allow
19 you to present your views with respect to the subject
20 matter of the investigation in order to assist the
21 Commission in determining whether there is a
22 reasonable indication that a U.S. industry is
23 materially injured or threatened with material injury
24 by reason of imports of the subject merchandise.

25 We will start the conference with a five-

1 minute opening statement from each side, beginning
2 with the petitioners. Following the opening
3 statements, each side will be given one hour for their
4 direct testimony. The staff will ask questions of
5 each panel after their presentation, but no questions
6 from opposing parties will be permitted. At the
7 conclusion of the statements from both sides, each
8 side will be given 10 minutes to rebut opposing
9 statements and make concluding remarks.

10 Speakers will not be sworn in. However, you
11 are reminded of the applicability of 18 USC 1001 to
12 false or misleading statements, and to the fact that
13 the record of this proceeding may be subject to court
14 review if there is an appeal.

15 Additionally, speakers are reminded not to
16 refer in their remarks to business proprietary
17 information, and to speak directly into the
18 microphones.

19 Finally, we ask that you state your name and
20 affiliation for the record before you beginning your
21 presentation.

22 Are there any questions?

23 (No response.)

24 MR. JAFFE: No questions.

25 MR. CARPENTER: Welcome, Mr. Schaefer,

1 please proceed with your opening statement.

2 MR. SCHAEFER: Thank you and good morning.

3 My name is Alex Schaefer, and I am with the
4 law firm of Crowell & Moring. We are appearing this
5 morning on behalf of the Gleason group of companies,
6 the largest U.S. manufactures of the hand trucks that
7 are the subject of this investigation.

8 I'm here with Matt Jaffe, also from Crowell
9 & Moring, as well as Bruce Malashevich from Economic
10 Consulting Services, who has assisted Gleason in the
11 preparation of the petition.

12 We are also pleased to have here with us
13 this morning Howard Simon, Jay Kvasnicka, and Bill
14 Malone from Gleason Industrial Products, Inc.

15 On behalf of our clients, I would like thank
16 the Commission for providing us this opportunity to
17 make our presentation today.

18 As you know, we're here to present our
19 testimony and answer your questions as the Commission
20 prepares to make its preliminary determination as to
21 whether there is a reasonable likelihood that imports
22 of Chinese hand trucks are materially injuring or
23 threatening to materially injure the U.S. hand truck
24 industry.

25 We submit that the Commission must find in

1 the affirmative on both counts. In short, the U.S.
2 hand truck industry is in peril, and the reason is
3 simple. The volume of imported hand trucks from China
4 has spiked, and the predatorially low price levels of
5 those imported hand trucks have resulted in severe
6 underselling.

7 First, with respect to volumes, as we
8 discussed in the petition, as recently as 2000,
9 imports from China totaled about 549,000 units. 2002
10 saw an increase of about 70 percent from that figure,
11 as 938,000 reached the U.S. ports from China.
12 Industry observers hoped these volumes would level
13 off, plateau. They didn't.

14 Between January and August of this year,
15 964,000 units were imported into the United States
16 from China. That's a 59 percent increase from the
17 comparable period last year. And that means that at t
18 his rate the year-end totals for 2003 may approach 1.5
19 million units; close to triple the 2002 volume.

20 That's a pretty dramatic increase in
21 absolute volumes, and the relative increase in terms
22 of the share of the U.S. market occupied by Chinese
23 hand trucks is equally troubling.

24 The proprietary nature of much of this data
25 precludes discussion of it in this forum, but suffice

1 it to say that the increase in import volumes has gone
2 hand in hand with a steep increase in market
3 penetration. Details of that are available at Exhibit
4 22 of the proprietary version of our petition.

5 As Mr. Simon and Mr. Kvasnicka will explain
6 to you, that increase in market penetration is
7 attributable to one key factor: underselling. The
8 Census Bureau import statistics don't lie, and their
9 data has the average unit values of imported Chinese
10 hand truck highlights a vast gap between the prices of
11 those imports and the prices of their U.S.
12 manufactured counterparts.

13 In some instances, the prices quoted by
14 Chinese manufacturers are below the raw material cost
15 alone of U.S. manufactured hand trucks.

16 Gleason is already feeling the impact of
17 that price gap as long-time customer order volumes are
18 dropping precipitously. Time and time again these
19 customers are providing Gleason with the same sole
20 justification for their shift in sourcing. They
21 simply cannot ignore the price gap.

22 The prospects for the foreseeable future are
23 no better. At current price levels there is every
24 reason to believe that these trends will continue.
25 Volumes of Chinese hand trucks will continue to

1 increase and displace sales of U.S. manufactured hand
2 trucks as U.S. purchasers take advantage of that
3 insurmountable price gap.

4 Moreover, the data suggests that additional
5 Chinese manufacturers and products are entering the
6 market, further contributing this race to the hand
7 truck pricing bottom.

8 Mr. Simon and Mr. Kvasnicka are going to
9 provide you with additional detail about the losses
10 that Gleason already has suffered, as well as those
11 that loom ahead.

12 In light of their testimony and the
13 additional evidence presented in the petition and in
14 the questionnaire responses, we request that the
15 Commission make an affirmative finding as to material
16 injury and threat of material injury that imported
17 Chinese hand trucks are inflicting on the U.S. hand
18 truck industry.

19 That concludes my opening remarks, and we
20 look forward to our forthcoming testimony. Thank you
21 very much.

22 MR. CARPENTER: Thank you, Mr. Schaefer.

23 Mr. Bruno, would you like to come forward?
24 You're welcome to use either the podium or find a seat
25 at the table. Yes, you can sit right there or the

1 podium, whichever you prefer.

2 MR. BRUNO: Good morning, Mr. Chairman, and
3 Commission staff. My name is Philippe Bruno with the
4 law firm of Greenberg Traurig.

5 We represent the China Chamber of Commerce
6 for Imports and Exports of Machinery and Electronics,
7 and its individual members in these investigations.

8 If the petitioners are representative of the
9 U.S. hand truck industry has a whole, then we believe
10 that there is one question and one question only that
11 the Commission must address in this preliminary
12 determination.

13 Is the U.S. industry vulnerable to the
14 threat of material injury by reason of the subject
15 imports?

16 As our testimony will show later today the
17 answer is negative. First, the petition is not
18 supported by a large number of U.S. producers of hand
19 trucks. In fact, there is an issue as to petitioner's
20 standing in bringing this case that we raised with the
21 Department of Commerce.

22 We do not yet know how many questionnaire
23 responses the Commission will receive from the U.S.
24 industry, but the low rate of return would certainly
25 indicate that a number of U.S. hand truck producers do

1 not share the views of the petitioners on the alleged
2 impacts of Chinese imports on the domestic industry.

3 Second, relying on the financial information
4 provided by petitioners in their petition, which
5 presumably will be identical to that provided in their
6 questionnaire response, the U.S. industry does not
7 appear to be materially injured.

8 The trends reported by petitioners for their
9 production, sales and profitability during the period
10 of investigation are not consistent with those of an
11 industry that is currently adversely affected by
12 foreign competition.

13 Third, petitioners have not substantiated
14 any price depressing or suppressing effects by Chinese
15 imports. Although there may be a price differential
16 between imported and U.S. hand trucks, this price
17 differential has not fallen into a negative impact on
18 U.S. prices required by the statute for a finding of
19 causal relationship.

20 For these reasons, the U.S. industry has not
21 shown that it is vulnerable to the threat of material
22 injury. Chinese imports have increased in absolute
23 terms and relative to U.S. consumption, but this
24 increase has not had any discernable impact on the
25 financial performance of the U.S. industry. Such

1 increase certainly did not cause the domestic industry
2 to weaken to the point that it is vulnerable to the
3 threat of material injury by reason of Chinese
4 imports.

5 As we will testify later today, the Chinese
6 industry is operating at a very high capacity
7 utilization, and its sales to third countries have
8 increased at a much higher rate than its exports to
9 the United States. Capacity in China has remained
10 flat.

11 Therefore there is no evidence on the record
12 of an imminent threat of material injury to the U.S.
13 industry by reason of Chinese imports of hand trucks.

14 This concludes my opening remarks. Thank
15 you.

16 MR. CARPENTER: Thank you, Mr. Bruno.

17 Petitioners panel can proceed with your
18 direct testimony now.

19 MR. JAFFE: Good morning, my name is Matthew
20 Jaffe. I'm with the law firm of Crowell & Moring, and
21 we represent Gleason Industrial Products, Inc. and co-
22 petitioners in this case.

23 We are going to have two direct
24 presentations this morning. The first direct
25 presentation will be by Howard Simon, who is the

1 Senior Vice President of Gleason; and the second
2 presentation will be by Jay Kvasnicka who is the
3 Corporate Vice President of Sales and Marketing.

4 Howard.

5 MR. SIMON: Good morning. As Matthew just
6 told you, my name is Howard Simon, and I am the Senior
7 Vice President for Gleason Industrial Products,
8 headquartered in Los Angeles, California.

9 And before I start, I just want to thank all
10 of you for giving us the opportunity to appear before
11 you today and tell you about our story.

12 In my capacity as senior vice president, I
13 serve as chief operating officer of the Gleason group
14 of companies, overseeing the responsibilities of our
15 plant managers and sales managers, and interacting with
16 our union representatives, auditors, lenders and
17 attorneys. I am ultimately accountable for all issues
18 involving the Gleason group of companies; in other
19 words, the buck stops with me.

20 The Gleason group is organized into three
21 separate legal entities known as Gleason Industrial
22 Products, Inc., Precision Products, Inc., and Gleason
23 Corporation. Although each corporation has its own
24 set of audited financials, and its own tax status for
25 estate planning purposes, we operate and manage all

1 three entities as a single organization.

2 Overall direction and management comes from
3 the executive offices in Los Angeles where accounting,
4 management information services, risk management,
5 credit, and legal are all centralized.

6 Our sales team is managed with one exception
7 out of Milwaukee, Wisconsin, by Jay Kvasnicka, our
8 Corporate Vice President of Sales, from whom you will
9 hear shortly.

10 The Gleason group of companies is a
11 vertically integrated manufacturer of non-powered
12 wheel products, small tire and wheel assemblies, and
13 leisure products. Our non-powered wheel products
14 consist of hand trucks, platform trucks, trailer
15 carts, which are carts that you would typically pull
16 behind a riding lawn mower, fertilizer spreaders, and
17 miscellaneous lawn and garden equipment.

18 These wheeled products are produced at two
19 of our union organized facilities in Goshen, Indiana,
20 and Lincoln, Illinois.

21 The Goshen plant employs over 100
22 individuals who are members of the UTW-UFCW, a union
23 affiliated with the AFL-CIO. The Goshen plant is the
24 oldest business in all of Elkhart County, having been
25 in operation since 1891.

1 The Lincoln plant employs over 150
2 individuals who are members of the Laborers
3 International Union of North America. This plant is
4 the largest employer in Lincoln, Illinois, and it
5 employs individuals from many of the surrounding
6 areas, including Clinton, Springfield and Decatur,
7 Illinois.

8 Our small tire and wheel assemblies consist
9 of steel and plastic semi-pneumatic assemblies,
10 pneumatic assemblies, and solid rubber wheels and
11 casters. These are produced primarily for original
12 equipment manufacturers of lawn mowers, snow blowers,
13 air compressors, pressure washers, and various other
14 hardware products.

15 Most importantly, however, our small tire
16 and wheel assemblies are produced for the hand truck
17 manufactured by our Goshen and Lincoln facilities. In
18 fact, for every hand truck manufactured by these
19 divisions, at least two wheels from our wheel
20 divisions are used.

21 Accordingly, if the unfair Chinese imports
22 succeed in their goal to destroy the U.S. hand truck
23 industry, they will also severely impact the U.S. tire
24 wheel and caster industries which depend upon
25 American-made hand trucks for a considerable portion

1 of their business.

2 Our small tire and wheel assemblies are
3 manufactured in three plants located in Cruthersville,
4 Missouri, Toma, Wisconsin, and Ft. Madison, Iowa.

5 The Cruthersville and Toma operations were
6 purchased by our company in 1992 from a bankruptcy
7 court. Since then, through mostly the success of our
8 hand truck sales and other wheel products, we have
9 been able to employ over 70 employees for the purpose
10 of producing wheels.

11 Our Ft. Madison plant employs over 100
12 individuals who are members of the International
13 Association of Machinists Union. In addition to the
14 wheels it produces for our Goshen and Lincoln
15 facilities, and outside customers, our Ft. Madison
16 plant has the ability to manufacture hand trucks and
17 hand truck components if there is a demand.

18 The third group of products we produce are
19 referred to as leisure products, and these consist of
20 hammocks, outdoor swing chairs, and soft-sided sport
21 bags, and these are manufactured in our fourth union
22 plant located in Algoma, Wisconsin.

23 Algoma's workforce dropped to 25 percent of
24 its historical employment level ever since Algoma's
25 customers discontinued buying our domestically made

1 products and began purchasing significantly less
2 expensive hammocks produced in China. That loss of
3 business, however, is beyond the scope of our petition
4 in this conference.

5 The purpose of my long introduction is to
6 provide you with an appreciation of the businesses
7 that will be destroyed and the people who will lose
8 jobs if this antidumping investigation does not stop
9 the unfair trade in Chinese hand trucks.

10 The import volumes for Chinese hand trucks
11 are already staggering as you heard from our attorney,
12 Alex Schaefer. Approximately 650,000 units were
13 imported in 2001, and in 2002, the number of imports
14 jumped close to 940,000 units. Now, just in the first
15 nine months of 2003, imports have claimed over the 1
16 million mark.

17 Meanwhile, as a result of this invasion, the
18 market share for U.S.-manufactured hand trucks has
19 plummeted 25 percentage points since 2000.

20 What is interesting about these numbers is
21 that the Gleason group has been competing against
22 Chinese hand trucks for more than five years, and has
23 meet and beat them before with competitive prices,
24 reliable service and a willingness to carry inventory
25 at our expense to fulfill orders with minimal lead

1 time.

2 But lately there has been a dramatic shift
3 in competition from fair to foul. For example, about
4 six years ago one of our major customers selected the
5 Gleason group as its exclusive national supplier of
6 hand trucks manufactured from steel because of the
7 high-quality standards and competitive pricing of our
8 products.

9 Less than six months ago this customer
10 informed us that it had decided to switch two of the
11 highest volume hand trucks to Chinese imports. It
12 wasn't because our standards had slipped. It wasn't
13 because our prices were higher than they had been in
14 the past. In fact, to the contrary as pressures from
15 overseas have increased we have been required to lower
16 our prices or add additional features to retain the
17 business that we fought so proudly to secure
18 initially.

19 No, it was earning, earning the business
20 simply became a matter of price.

21 How low do the Chinese go? We recently
22 received offers to purchase Chinese-manufactured,
23 single-loop hand trucks for approximately \$9 a unit.
24 We also received an offer to purchase a Chinese-
25 manufactured convertible steel hand truck for

1 approximately \$11 a unit.

2 The Chinese manufacturer volunteered to me
3 that the \$9 price for the single-loop steel hand truck
4 was the same price that it offered it has offered the
5 major accounts to which I just referred to a minute
6 ago. There is no price floor below with Chinese
7 manufacturers won't go.

8 The Chinese prices are less than our raw
9 material costs. In other words, our cost to purchase
10 the steel and other components used in our production
11 of hand trucks is greater than the price at which the
12 fully completed Chinese hand trucks are sold in the
13 United States.

14 Therefore, it shouldn't come as any surprise
15 to you that we lost the major account in the same
16 month we received this quote from the Chinese
17 manufacturer.

18 We can't manufacture a hand truck, sell at
19 prices below our raw material costs, and still expect
20 to stay in business.

21 This is a harsh realization for a company
22 that has been used to offering jobs day-in and day-out
23 for over 100 years. Our jobs helped our loyal
24 employees over the years put food on their table and a
25 roof over their head, and I know that sounds like a

1 cliche, but as funny as it may sound it's the truth.

2 We're incapable of providing the security if
3 the Chinese manufacturers continue to engage in unfair
4 competition.

5 At this point my attorneys have asked me to
6 stop and talk about material injury versus threat of
7 material injury.

8 I understand that the Commission considers
9 both, and that the material injury analysis generally
10 looks at the current impact of Chinese imports whereas
11 threat of material injury generally looks at the
12 imminent future impact of Chinese imports if an
13 antidumping duty order is not issued.

14 We began experiencing material injury to our
15 financial performance some time ago, as discussed in
16 our petition. That material injury developed into
17 massive injury when we began to lose major accounts.
18 As soon as a major account notifies us that our
19 business is being displaced, material injury is
20 instant.

21 It won't be fully reflected in our profits
22 for the year in which the lost sales occurred, mostly
23 because the loss involves a gradual slow-down in sales
24 before sales come to a complete stop, and that should
25 help you to understand why we respond to one of the

1 questions raised by Mr. Bruno as to why our financials
2 haven't reflected this damage at this point in time.

3 But worse, our customers expect us to
4 continue to supply them as if we never received the
5 notice that our business was being replaced with
6 imported products. The natural instinct is to stop
7 shipping more product, and let the customers fend for
8 themselves.

9 This, however, is contrary to the
10 philosophical foundation upon which our company was
11 built: to be the most reliable and responsive
12 supplier of the highest quality products in the
13 industry under any circumstances.

14 Therefore, even though the material injury
15 is not instantly reflected in our income statements,
16 it is still there, and it is very real, and it means
17 that if we cannot compete against fair competition to
18 regain that sale, it's just a matter of days before
19 our plants will be shut down and our employees will be
20 discharged.

21 In fact, we have already held internal
22 meetings to discuss the drastic changes we will have
23 to make in our business to counteract the devastating
24 effects of the loss of business to the Chinese
25 imports.

1 You must realize that unlike our other
2 products, hand trucks are not seasonal. Therefore,
3 the relatively consistent sales and production of hand
4 trucks allow us to keep our manufacturing facilities
5 operating year-round. This, in turn, allows us to
6 keep our workers employees year-round.

7 Losing the hand truck business to imports
8 almost immediately leaves a void in our manufacturing
9 operations for six months of the year. Furthermore,
10 the reduced production prevents us from absorbing
11 significant overhead and completely undermines the
12 purchasing power for raw materials used in the other
13 products we manufacture.

14 As a result, our costs increase, making us
15 less competitive in the sale of our products, thereby
16 causing an irreversible snowball effect of requiring
17 us to lay off more workers, and further consolidate or
18 shut down our operations.

19 What I think makes a single loss of sales to
20 unfair competition so devastating is the conditions of
21 competition that we face in our industry. In our
22 petition, we named five channels of distribution:
23 national home improvement stores, hardware co-ops,
24 catalogue houses or industrial distributors, truck
25 fleet owners, and others.

1 Probably the most significant shift in our
2 industry over the last 10 years has been the growing
3 dominance of the first channel of distribution,
4 national home improvement stores; in other words, the
5 Home Depots, Lowe's and Maynards of the world.

6 National home improvement stores currently
7 comprise between 30 and 50 percent of the industry
8 sales of hand trucks. However, the rivalry between
9 these stores is so intense that it not only drive
10 price competition within the channel, but it drives
11 price competition within two other channels of
12 distribution, the hardware co-ops and the catalogue
13 house an industrial distributors.

14 This is because these distribution channels
15 often compete for the same customers. In other words,
16 if one major home improvement store offers its method
17 of doing business, then it won't be long before the
18 other stores and the hardware co-ops and the other
19 large catalogue follow suit.

20 This condition of competition, of course,
21 has been Gleason's greatest strengths, and now it's
22 our greatest weakness.

23 Gleason has taken dramatic steps over the
24 last 10 years to improve its hand trucks, offer
25 multiple options and accessories at lower prices,

1 improve quality, and reduce our defective merchandise
2 rate to the point where it barely registers.

3 As a result, Gleason has been recognized as
4 the premier supplier to some of the best names in home
5 improvement, hardware, and catalogue businesses.

6 But there is only so much we can do when the
7 driving purchase criteria for low-tech items like a
8 hand truck is priced. The lower the price the better,
9 and all the other purchasing criteria come in a
10 distant second.

11 Therefore, in the hand truck industry when
12 one major home improvement store begins to purchase
13 Chinese hand trucks offered at unfair prices, it sends
14 a tidal wave to the national home improvement, home
15 co-op and catalogue channels of distribution which
16 sweeps away a major share of the market for American-
17 manufactured hand trucks.

18 Jay Kvasnicka, Gleason Industrial's
19 Corporate Vice President of Sales will testify next,
20 and he will explain in greater detail the
21 circumstances under which Gleason has lost sales to
22 unfair Chinese imports.

23 We have also placed on the record an
24 abbreviated financial statement for Gleason's year-end
25 June 30, 2003, and pro forma financials for Gleason's

1 fiscal years ending June 30, 2004, and 2005.

2 The pro forma financials take into account
3 the business that we will be losing according to the
4 schedules recently provided by our three largest
5 customers. These statements confirm the devastating
6 impact of the current loss of sales on our bottom
7 line.

8 Without getting into details, if you assume
9 our operating income for hand truck sales at year-end
10 2003 equals 100, by year-end 2004, our operating
11 income will have dropped to 61, and by year-end 2005,
12 to 23.

13 Needless to say, this drop will certainly be
14 translated into employee layoffs, plant consolidations
15 and most likely facility shutdowns.

16 But let me try to put this in a different
17 perspective. It's my understanding that there are six
18 members of the Commission. Well, assume that the
19 percentage of antidumping suits brought before the
20 Commission that are represented by Chinese
21 manufacturers is comparable to the percentage of
22 business that is represented to Gleason by our three
23 major accounts. If that's the case, by April, of
24 those six members two would no longer be on the
25 committee because your workload would have been

1 reduced, and by next year, four of those members would
2 have been eliminated from the committee because of a
3 reduction in the workload.

4 Massive imports of hand trucks from China
5 sold at dumped prices that undersell the competitive
6 prices offered by the U.S. industry are driving us out
7 of business. In some industries firms in our
8 situation have opted to make the transition from being
9 domestic manufacturers to being import resellers or
10 distributors. In other words, why don't we just
11 purchase hand trucks from overseas at the same price
12 everyone else seems to be purchasing them at, and turn
13 around and try to sell them to our customers.

14 I mean, although this type of transition
15 typically means massive dislocation and displacement
16 of those companies' workforces, the companies can at
17 least survive and maintain some level of possibility.

18 However, in our industry this type of
19 transition is impossible. Even aside from the
20 hardship that it would cause if several hundred
21 workers at our manufacturing facilities, the fact of
22 the matter is that the largest volume U.S. purchasers
23 already have established direct purchasing
24 relationships with the Chinese suppliers that
25 eliminate the role of the middleman.

1 And given the severity of the injury to our
2 industry, and the unfair and predatory pricing
3 practices adopted by the Chinese hand truck
4 manufacturers, we are looking to the antidumping laws
5 generally and the International Trade Commission
6 specifically, to enforce the rules of fair
7 competition.

8 Thank you for your time, and I will be
9 available to answer your questions.

10 MR. KVASNICKA: Good morning. My name is
11 Jay Kvasnicka, and I am the Corporate Vice President
12 of Sales and Marketing for Gleason Industrial
13 Products, Inc.

14 I work at the company's principal sales
15 office in Milwaukee, Wisconsin. I have been with
16 Gleason since 1979, first as an inside sales
17 coordinator, then as sales manager, and I have been
18 serving as the Corporate Vice President of Sales since
19 1998.

20 As Vice President of Sales and Marketing, I
21 supervise the sale of hand trucks, and other consumer
22 products manufactured by Gleason. Because of our
23 commitments to manufacturing high-quality products at
24 competitive prices, Gleason has become an industry
25 leader in hand truck design, manufacturing and sales.

1 Gleason has established itself as a leader
2 in the industry through product innovations, quality,
3 manufacturing practice, and exceptional customer
4 service.

5 However, the rules in competition and
6 conditions of competition in this industry recently
7 have changed dramatically. In the mid 1990s,
8 producers of Chinese imports began targeting the
9 domestic hand truck industry. At first, the Chinese
10 industry could not offer competitive product designs,
11 quality or services at prices comparable to those
12 prevailing in the domestic industry.

13 But over time the Chinese manufacturers
14 became skilled at copying designs, and I want to
15 emphasize "copying designs," manufactured by domestic
16 producers and dramatically increase their production
17 while slashing prices.

18 Today, Chinese import hand trucks are
19 aggressively underselling hand trucks manufactured in
20 the United States and causing serious harm to our
21 business.

22 By June 30th of 2004, Gleason will have lost
23 33 percent of our business in hand truck sales and
24 revenue as a result of the substantial increase in
25 imports of unfairly traded hand trucks from China.

1 By June 30th of 2005, we will have lost
2 another 52 percent, for a total loss of 68 percent
3 relative to 2003 sales.

4 In the hand truck industry, sales to major
5 retailers are made based on what we call a line review
6 process. There are no sales contracts. Instead, hand
7 truck customers invite all potential suppliers
8 together about once a year to make bids and to pitch
9 our products. In this sales model, a customer's
10 selection of a supplier is based on product quality,
11 service, and most significantly, pricing.

12 Once a customer chooses a supplier, it is
13 generally considered a one-year commitment, but
14 suppliers may approach the customers mid-year to
15 request a fresh review because of a new product or
16 perhaps to offer lower prices.

17 Chinese manufacturers of hand truck have
18 recently pitched their unfairly low-priced products to
19 U.S. customers. Though our customers have in the past
20 profitably chosen Gleason's hand trucks over imported
21 products, the Chinese manufacturers have now priced
22 their products so low that customers can no longer
23 ignore the savings to had as a result of the Chinese
24 underselling.

25 The injury that Gleason has suffered in

1 terms of lost sales is not like a slow bleed that
2 inflicts that just a little bit of damage over a long
3 period of time. At this point Gleason's injury is
4 more like a massive hemorrhage that is swiftly
5 bringing the company down, and that hemorrhage will
6 only become more severe once production cuts go into
7 effect early next year.

8 Antidumping duties on Chinese hand trucks
9 must be leveled immediately in order to prevent the
10 collapse of the domestic hand truck industry. Make no
11 mistake about it, sales and revenue declines of
12 shocking proportions are on the near-term horizons.

13 In the past six months, Gleason has lost a
14 substantial amount of its business to Chinese imports.
15 In June, we were notified by the Home Depot, our
16 largest customer, that they are significantly cutting
17 back purchases from Gleason through a phase-out that
18 began last September.

19 Gleason has been Home Depot's sole supplier
20 of steel hand trucks since 1997, and as a supplier
21 since 1990, but they informed us that they can no
22 longer ignore the savings associated with switching to
23 Chinese imports.

24 All in all, when Home Depot phase-out of our
25 products is completed in April of 2004, we will have

1 lost 70 percent of our business to the Chinese
2 manufacturers as a result of their unfair trade
3 practices.

4 Gleason's second largest customer, Lowe's,
5 informed us in August of this year that it will be
6 cutting off 100 percent of its purchases of hand
7 trucks from Gleason. That constitutes Lowe's entire
8 national hand truck program. Effective March 1, 2004,
9 Lowe's entire program will be supplied by Chinese
10 imports.

11 We have recently been informed that our
12 third largest customer, Granger, is replacing our
13 entire aluminum hand truck business with imported
14 product from China as soon as April 1st of next year.
15 Granger also has been phasing out its purchases of
16 domestically-produced steel hand trucks since 1997,
17 and likewise, replacing them with products imported
18 from China.

19 I think that it's also important to note
20 that throughout this time period, and also possibly in
21 response to our financials, that we have continued to
22 introduce new products that were within the hand truck
23 industry, and every time we do that we build up the
24 volume, we generate some success, and at that point
25 the Chinese then copy that truck, and eventually that

1 business is lost as well, so we have tried to be
2 proactive, but it's just been very difficult against
3 unfair competition.

4 We have enjoyed a strong relationship with
5 Granger for the past 25 years. They used to be our
6 number one customer. Once their phase-out of our
7 aluminum hand trucks is complete, this account will be
8 only a small fraction of the business they once
9 represented. This does not take into account
10 potential customers, such as Maynards and K-Mart, to
11 name just a few, whose business we have been unable to
12 pursue because they have been importing Chinese hand
13 trucks for several years.

14 When Home Depot, Lowe's and Granger
15 approached me to say that they would be replacing our
16 hand trucks with Chinese-manufactured hand trucks,
17 they all expressed that Gleason had been a great
18 supplier, that we had done everything right, we had
19 participated in all of their programs, but that they
20 could just no longer walk away from the rock bottom
21 pricing of Chinese hand trucks.

22 This lost business from our largest
23 customers may well amount to a fatal wound to the
24 company. More than that, those lost sales are
25 indicative of the harm that has been caused to the

1 industry as a whole as a result of unfair pricing by
2 the Chinese.

3 I also think it's important to indicate that
4 these are the people that lead this industry, as
5 Howard mentioned, and, you know, we look at the losses
6 of Home Depot, but everybody else out there need to
7 compete, and these are just the people that we know
8 the business is lost. We've heard from several of our
9 customers, including considerably smaller customers as
10 well as the large customers, that have told us that
11 they have to seriously look at imports because they
12 have to be able to, so to speak, keep up with the
13 Joneses, keep up with the Home Depots, and the Lowe's
14 of the world if they are going to stay in business.

15 Gleason has ample capacity to supply its
16 customers' requirements, and I have been aggressively
17 pursuing sales opportunities, but Gleason and other
18 producers in the domestic industry simply cannot
19 compete with less than fair value prices offered by
20 Chinese producers.

21 Our three largest customers are the leaders
22 in the retail, and as they switch to Chinese import
23 products and are able to offer significantly reduced
24 prices as a result of the unfair trading by the
25 Chinese, all customers will follow suit and switch to

1 imports.

2 Consequently, I anticipate that Gleason will
3 continue to experience serious decline of sales in the
4 future.

5 Thank you.

6 MR. JAFFE: Thank you, Howard; thank you,
7 Jay. I would like to ask a few questions first if I
8 may.

9 Jay, as you know from the petition, like
10 product and the definition of the like product is an
11 important part of the Commission's determination.

12 We put in a lot of catalogues that showed a
13 lot of different types of hand trucks. In fact, the
14 Commission is collecting price information on single-
15 loop hand trucks, convertible hand trucks, appliance
16 hand trucks. They are also obviously looking at hand
17 trucks made out of steel, out of aluminum.

18 You are in charge of the sales force, and I
19 was just wondering if you could explain to us. I
20 mean, do you split your sales force by type or does
21 everyone sell --

22 MR. KVASNICKA: No, we have a single sales
23 force and everyone sales the entire product line

24 MR. JAFFE: Okay. We also talked in
25 Howard's presentation about different channels of

1 distribution. We talked about the home improvement
2 stores, we also talked about the hardware co-ops, et
3 cetera.

4 Is it split by that? Does somebody
5 concentrate on home improvement stores? Does someone
6 concentrate on the co-ops?

7 MR. KVASNICKA: No, we make that decision
8 just based on who I feel is best qualified to handle
9 that account.

10 MR. JAFFE: Okay. I was wondering, we have
11 some exhibits over there, two single-loop hand trucks
12 and one is a convertible hand truck.

13 Jay, I was wondering if, for the benefit of
14 the Commission, if you could kind of go over there. I
15 was hoping perhaps we could get a microphone and you
16 could perhaps look at the single-loop hand trucks and
17 kind of explain about them.

18 One of them is a Gleason hand truck, it's a
19 single-loop hand truck, and the other is a hand truck
20 that is made in China which we just purchased
21 yesterday at Home Depot in Virginia.

22 MR. KVASNICKA: Okay, is the Gleason hand
23 truck here, which was the hand truck that we have done
24 our greatest volume with the Home Depot and Lowe's
25 with. That is the import that they have copied.

1 As you can see, they have really pretty well
2 duplicated it. One of the things that I think is
3 important is over the years Gleason has actually
4 scaled back in an effort to remain competitive.

5 For instance, the import hand truck has the
6 wheel guards on it. It has a larger toe plate, and it
7 has an additional cross-bar. These are all features
8 that the Gleason product, you know, initially offered,
9 and we still do offer, but we have taken them off of
10 the trucks in an effort to try and bring our pricing
11 as close to the Chinese as we can.

12 I also think it's interesting to note, and
13 unfortunately, I don't have the Gleason point of
14 purchase here, but the steel-tough, yellow-black point
15 of purchase was an advertisement campaign that we
16 began to promote our products. And when the imports
17 came in, not only did they copy our PLP, but they also
18 copied the steel-tough campaign, and basically copied
19 the same verbiage that was on the PLP.

20 But this is the most popular selling, and
21 kind of the basic design hand truck.

22 The second hand truck here is what we refer
23 to as a convertible truck, which is our second best
24 selling unit, and it's called a convertible truck
25 because it converts from a two-wheel hand truck into a

1 four-wheel platform truck.

2 Once again, unfortunately, we do not have
3 the import here to put it side by side, but I think
4 you would see, you know, everything was extremely
5 similar. They have even copied the color, and we were
6 the first people in the industry to come out with what
7 is called a textured power-coated paint finish, and
8 the imports have now begun, have switched over and
9 they are also providing the powder-coated paint
10 finish.

11 Does that answer the question or is there
12 something more specific?

13 MR. JAFFE: No, that's fine.

14 I would like to offer these exhibits for the
15 record.

16 MR. CARPENTER: We won't accept them as
17 exhibit per se, but what we will do is, if you want to
18 leave them with us as samples, and then we will return
19 them to you at the end of the preliminary phase of the
20 investigation.

21 MR. JAFFE: Okay.

22 MR. SIMON: I just want to point out one
23 thing. The only feature of our hand trucks that the
24 Chinese have not copied was the sticker that says,
25 "Made in United States of America.

1 MR. JAFFE: There is one other question that
2 I would like to ask you, Jay. Well, actually, two
3 other questions.

4 One thing that I'm seeing is, of course,
5 that the two single loops are side by side. I mean, I
6 recently went into Home Depot to buy a rake, and when
7 I got to Home Depot, there was -- I had an option, I
8 had a choice of rakes that I could choose from.

9 But when we went into Home Depot yesterday,
10 there was only one hand truck. Is that unique? I
11 mean, is there something about that that Home Depot
12 will only have, you know, the Chinese? It's kind of
13 like either/or?

14 If it's either the American or the Chinese,
15 you're not going to have both side by side so that a
16 customer can come in and make a decision that I want
17 to make an American-made hand truck, that's what I
18 want to purchase?

19 MR. KVASNICKA: Yes, I think what you will
20 find, as I talked earlier about the line review
21 process, the Chinese compete against the U.S. side by
22 side in the line review process, and they normally
23 only choose one supplier for the entire category.

24 A lot of that would be related to the fact
25 that retailers are under considerable pressure to --

1 how much they can generate in terms of volume per
2 square foot in each store, and they are not going to
3 add additional -- or side by side, excuse, on a hand
4 truck and give a customer a choice the way that they
5 might do in a rake or a lawn mower

6 MR. JAFFE: Yes, I think this is important
7 because it underscores the point. When he said they
8 lost a sale to Home Depot, that's it. When they lost
9 it to Lowe's, that's it.

10 The other thing is we bought that Chinese
11 hand truck yesterday. It was, I think, \$29.95. When
12 Home Depot used to sell your hand truck, what did they
13 offer it was? Was it the same price?

14 MR. KVASNICKA: Yes, it was the same price

15 MR. JAFFE: So in other words, even though
16 the Chinese hand truck is being sold to Home Depot and
17 Lowe's of the world for a significantly cheaper, the
18 you and me's of the world, the people who actually buy
19 these hand trucks and using it, none of this has been
20 passed on to us?

21 MR. KVASNICKA: That's correct

22 MR. JAFFE: Thank you. That concludes our
23 direct presentation.

24 MR. CARPENTER: Thank you very much for your
25 presentation. That was very informative. Already

1 answered a lot of my questions anyway.

2 We will begin the questioning with Mr.
3 Bernstein from the general counsel's office.

4 MR. BERNSTEIN: Thank you, Mr. Carpenter.

5 I'm going to start off my questioning with
6 sort of a technical legal area that's probably not
7 going to interest you on the panel very much before I
8 proceed to some more general things. It's a legal
9 issue we need to take care of.

10 The scope of investigation, at least as
11 drafted by you, included certain hand truck parts;
12 namely, frame, handling area, and the projecting areas
13 or toe plate, I believe, also combinations of those
14 parts.

15 First of all, just to make us clear, my
16 impression is is that the scope does not include
17 simply wheels unless the wheels are with a completed
18 hand truck. Is my impression correct?

19 MR. JAFFE: At the end, we've had some
20 conversations with the Department of Commerce, and
21 wheels and tires are specifically excluded.

22 MR. BERNSTEIN: Thank you, Mr. Jaffe. that
23 was my impression.

24 With respect to the covered parts, namely,
25 the frame, the handling area and the projecting areas

1 or toe plate, this question is for anybody on the
2 panel, are these parts used in any finished products
3 other than hand trucks, the ones that you manufacture
4 at Gleason?

5 MR. SIMON: No, they are not. They are
6 produced primarily or solely for hand truck
7 production.

8 MR. BERNSTEIN: Thank you.

9 The response to the first supplemental
10 questionnaire that you submitted dated November 25th
11 that you submitted to both the Commerce Department and
12 us contains a statement that it's a current industry
13 practice to ship hand trucks in an unassembled or
14 incomplete form.

15 Let me ask, are hand truck components
16 shipped only in complete sets? In other words, is
17 there any instance where you or another U.S. producer
18 would ship some components but not enough to make a
19 full hand truck?

20 MR. KVASNICKA: The only instance where that
21 would be would be a replacement part, which would be
22 primarily on our aluminum modular series of hand
23 trucks where you can add an longer toe plate, or you
24 could add bolt-on stair climbers to the product,
25 something like that. That would be the only case.

1 MR. BERNSTEIN: Just out of curiosity, will
2 the replacement part that you sell only work on your
3 model of hand trucks, or could it be used on some
4 other manufacturer's model as well?

5 MR. KVASNICKA: They are designed to fit on
6 some other manufacturers as well, other U.S.
7 manufacturers.

8 MR. JAFFE: I have some addition information
9 from another manufacturer of U.S. hand trucks in which
10 they indicate that they actually do ship a lot of hand
11 trucks basically as a knock down or a kit, and they do
12 that as a customary practice to their distributors, so
13 that the distributors can actually then "assemble."
14 Well, "manufacture" or actually they assemble,
15 switching things, depending on the customer needs.

16 I will try to go back to that particular
17 manufacturer and ask your question, whether or not
18 there are times, for example, they might just ship the
19 frames, because the particular distributor may already
20 have the toe plate and may already have other aspects.

21 MR. BERNSTEIN: If in your inquiries you
22 could also explore what the "assembly" process
23 entails. When somebody is shipped a kit, do they just
24 take a screw driver and put it together, or does it
25 take -- if it takes any specialized equipment or

1 expertise to put the set together and make a completed
2 hand truck, I think that would be useful for us to
3 know, or someone can testify to that now.

4 MR. KVASNICKA: Yes. They are simply bolted
5 together, and keep in mind that this applies strictly
6 to the aluminum modular trucks, not the steel hand
7 trucks. The steel hand trucks are all welded.

8 MR. BERNSTEIN: Thank you.

9 My final request will just be for a topic
10 for the post-conference submission. I'll note as a
11 general matter that anything I address to petitioners,
12 respondents are welcome to address in their post-
13 conference submission as well if they care to.
14 Conversely, anything I will address to respondents
15 later on, the petitioners are welcome to address.

16 And this request is just that you discuss in
17 your post-conference submission the appropriate like
18 product of these parts or components of hand trucks
19 that are included within the scope, under what the
20 Commission calls its semi-finished product, like
21 product analysis, and if you're interested in, if you
22 don't already know what the factors the Commission
23 explores in that are, a recent case that articulates
24 them is certain wax and wax resin thermal transfer
25 ribbons from France, Japan, and Korea, which is

1 Investigation Nos. 731-TA-1039 to 1041, preliminary.

2 Let me move on now to some more general
3 topics. Mr. Simon, in, I guess, the public version of
4 the affidavit you submitted as Exhibit 4 of your
5 submission, you identified Gleason as a market leader.

6 Could you explain what you meant by that
7 term, what market leadership means?

8 MR. SIMON: Well, first of all, we have been
9 in business for over 100 years producing hand trucks,
10 and in that role we are usually first on the block to
11 come up with new designs. We were innovative in our
12 development of these hand trucks. We were
13 instrumental in coming up with ways to ship as many as
14 we could possibly ship on a particular truck, thereby
15 reducing the cost of freight.

16 And as Jay had pointed out, we came up with
17 new designs for the material to, you know, come up
18 with a paint process that would be more slip-
19 resistant, and commercially appealing.

20 And then as far as an industry leader, it
21 also reflects in the customers that we happen to be
22 selling to, by selling home improvement center such as
23 Home Depot, Lowe's, and industrial distributors such
24 as Granger, we became the standard by which everyone
25 else was measured against.

1 MR. BERNSTEIN: With respect to those large
2 accounts, you have mentioned how you have had accounts
3 and some of them you maybe are losing part of, you're
4 in the process of losing. I know you stated that I
5 believe with the Home Depot account you've had it
6 quite awhile.

7 Have any of these large accounts ever been
8 served in recent years by another domestic supplier?

9 MR. KVASNICKA: Home Depot has purchased
10 some nylon hand trucks from one of our domestic
11 competitors. Prior to that, I can't recall the last
12 time either of those two accounts have not been
13 supplied by Gleason. It goes back probably to prior
14 to 1990.

15 MR. BERNSTEIN: Okay, thank you.

16 The petition lists, I believe, 11 total U.S.
17 producers of hand trucks. Could you give us some idea
18 from your knowledge of how many of these may offer
19 product lines comparable to yours as far as scope of
20 range, scope of range of products?

21 MR. KVASNICKA: Harper Manufacturing would
22 offer the broadest range that would compete with ours
23 as far as both steel and aluminum trucks. Magline and
24 Brooks & Perkins offer a similar range to us on
25 aluminum trucks, but not the steel.

1 The other competitors such as Angeles and
2 Westco would offer products that are more competitive
3 on our steel end, although Westco does have some
4 aluminum as well.

5 MR. JAFFE: Yes, I would like to that and
6 just note for the record that Gleason, Westco, Magline
7 and Harper have all indicated that they support the
8 petitioner.

9 Magline, Westco and Harper filed separate
10 letters demonstrating that they supported the
11 petition, and they are the other major producers,
12 other than Gleason in the United States.

13 MR. BERNSTEIN: Let me also ask more as a
14 housekeeping matter, I think Mr. Bruno alluded to this
15 in his opening remarks, and we have also received
16 informal inquiries from the Commerce Department that
17 there is an allegation that the petition did not name
18 all the domestic producers.

19 We at the Commission are not concerned with
20 making a standing determination, that's the province
21 of Commerce, but we are concerned that we have
22 conducted an adequate investigation, and we know who
23 is in the domestic industry.

24 Could you all comment on that?

25 MR. JAFFE: Yes, I would like to comment on

1 that. We received the same allegation. The Commerce
2 Department faxed that allegation to us. I believe it
3 was five or six o'clock Tuesday evening.

4 By 1:30 the next day, we were able to file a
5 response to that. The allegation named seven
6 companies that the Chinese found as manufacturers. In
7 the short period of time we were able to confirm that
8 actually five out of those seven did not manufacture
9 hand trucks in the United States. Some of them may
10 have assembled hand trucks, and actually offered hand
11 trucks by other domestic producers. And in fact one
12 of those was offered Chinese imports. So it's kind of
13 questionable. You know, I assumed the Chinese knew
14 that and yet they put that company in this list.

15 There are two other companies that we looked
16 at, and in our submission they did indicate that they
17 produced hand trucks in the United States. One was
18 Morris Manufacturing, and they told us, and it is in
19 our submission to Commerce, that they manufacture, I
20 think, 1,000 a year.

21 And the other, was it Lincoln? Yes, Lincoln
22 indicated that they manufactured hand trucks from time
23 to time depending on what the owner felt now to do,
24 and that they were actually in a very small part of
25 the market, and they only manufacture a small amount,

1 and again it was a very specialty item.

2 If you would like, we can file that
3 submission with the Commission as well, but as you
4 understand, we had an incredible time constraint, and
5 we wanted to make sure that it was filed at the
6 Department of Commerce initially.

7 MR. CARPENTER: Yes, I think we would like
8 to have a copy of that submission

9 MR. JAFFE: I will make sure that it's filed
10 today with the Commission.

11 MR. BERNSTEIN: Thank you.

12 In, I believe it was Mr. Kvasnicka's, and I
13 apologize if I mispronounce your name, testimony you
14 indicated that Home Depot, a large home improvement
15 store, typically will use a single source for hand
16 truck supplies.

17 What is the range of models that you get
18 that a large retailer such as this would typically
19 carry?

20 MR. KVASNICKA: Well, first off, you don't
21 have to apologize for my name because I still get
22 confused once in awhile.

23 Secondly, it's my job and the job of our
24 sales department to try and get them to add as many
25 model numbers as we possibly can, and to establish as

1 much space in the store for Gleason product as we can.

2 A typical program is probably four to five
3 items, because generally it's a D or P-handle truck, a
4 convertable truck, a truck for moving appliances, a
5 smaller truck that would be geared more towards the
6 home owner, and then usually that fifth item we try
7 and get something in there that is not a pneumatic
8 wheel, something with a solid tire, because there are
9 a lot of people that would prefer that kind of wheel.

10 Oh, yes, and also we have begun to try and
11 push at least one model of our aluminum trucks into
12 the retail, and have been successful at Home Depot.

13 MR. BERNSTEIN: Your product line, however,
14 indicates that you sell a much wider range of models.
15 Who are the typical purchasers of models that are not
16 the more popular models that are picked up by your
17 major retailers?

18 MR. KVASNICKA: Typically, I would say the
19 catalogue houses, places like Granger. The advantage
20 that they have is that, number one, it's a different
21 customer base, and they are not fighting for square
22 footage in a retail environment like the buyers at a
23 Home Depot are.

24 In addition, we would do a lot of things for
25 them where they would -- we would drop-ship directly

1 from our factory to their customer, so they may not
2 actually carry 50 models in their inventory, but they
3 may show 50 in their catalogue, and maybe only carry
4 20 in inventory, and the other 30 would ship directly
5 from our factory to their customer.

6 MR. BERNSTEIN: I am wondering if either of
7 the industry witnesses could give in the public
8 session some indication of let's say the contribution
9 of various less popular models to your profitability.

10 I think you have indicated in your testimony
11 to us quite extensively how your sales to the large
12 retailers are important for maintaining your volume
13 and for maintaining your employment levels. It's a
14 little much -- it's a little less clear how those
15 contribute to your bottom line as opposed to other
16 models which maybe the less popular models that large
17 retailers would not carry, and which among your
18 product lines are let's say the most profitable types
19 of things for you?

20 Can you provide us in a public session any
21 thoughts on that?

22 MR. JAFFE: Yes, can we confer for just a
23 little to see how we might be able to do that. I think
24 we've figured out a way. Jay? Howard?

25 MR. SIMON: I guess if you would put on a

1 scale of zero to 100 the products that we produce for
2 Home Depot and Lowes as products that represent 100,
3 these other more specialty items such as cylinder
4 trucks and welding trucks probably represent about
5 five.

6 Yes, they are more profitable because, one,
7 there's really no competition in that market to say
8 because they just don't represent a very big part of
9 the market share, and they also require specific
10 tailoring of those products to the needs of the
11 specific uses that our customers might have for them,
12 so they're in a position to pay you a little more for
13 that. They're just not a commodity item like the hand
14 trucks that we sell to Home Depot and Lowes are.

15 MR. BERNSTEIN: Thank you. If you'd like to
16 address that in more detail in a confidential
17 postconference submission, we'd appreciate that.

18 I have two more lines of questioning, which
19 will be rather brief, one of which is I just want to
20 make sure I understood some testimony correctly.
21 There was some testimony by one of the witnesses, and,
22 unfortunately, I didn't write down which one, about
23 domestic producers who, as a result of Chinese
24 competition, become importers' resellers.

25 What wasn't clear to me was is this

1 currently happening in the hand trucks industry, or
2 was this just a general phenomenon you were testifying
3 to?

4 MR. SIMON: It's more of a general
5 phenomenon that I was addressing.

6 I mean, I just wanted to dispose of the fact
7 that you might think that in order for us to still
8 salvage our business we might assume that kind of
9 role, but in this industry it's impossible to take on
10 that role because of the position that our major
11 customers have taken with establishing offices right
12 in China to buy directly from the manufacturers.

13 MR. BERNSTEIN: Just as a matter for counsel
14 to address in your postconference submission, if it
15 turns out in the questionnaire responses that in fact
16 some of the domestic hand truck producers are in fact
17 importing product from China, we would, of course,
18 appreciate your views on whether appropriate
19 circumstances might exist for their exclusion as
20 related parties.

21 My final question is also more a legal
22 question as well and perhaps most helpfully addressed
23 in a postconference submission. It has two related
24 parts.

25 First of all, I believe there was a

1 reference towards the end of Mr. Simon's testimony
2 about some information we are going to be given
3 concerning Gleason's likely financial condition at
4 year end 2005. The question for counsel to address is
5 is this time period sufficiently imminent for the
6 Commission to consider it in a threat determination?

7 The second general question I have is much
8 of the Petitioners' testimony, as I understand it, is
9 we have lost orders now or we've been given notice
10 we're about to lose orders. This may not be showing
11 up in our bottom line in the moment, but it will be
12 shortly.

13 The question, if counsel cares to address
14 it, is this. Is this indicative of current injury, or
15 is this indicative of threat? That is, to the extent
16 I guess you have a position on that or you think it
17 matters to you, we would I guess appreciate your views
18 on that in the postconference submission.

19 Thank you.

20 MR. MALASHEVICH: Excuse me, Mr. Bernstein.

21 MR. BERNSTEIN: Yes?

22 MR. MALASHEVICH: This is Bruce Malashevich.

23 I just had a word to say on that.

24 There's a section of the petition discussing
25 the industry's overall operation that addresses your

1 point in part. The details are proprietary, as you
2 can appreciate, but if you would kindly re-read that
3 section it discusses how the material injury was
4 manifest at least in 2002 already in different forms
5 than is being manifested today in terms of the lost
6 business, but the position that material injury was
7 already occurring in 2002.

8 Also, as Mr. Simon addressed, you have to
9 take note of the particular conditions of competition
10 in this industry where the impact of a lost major
11 account is immediate and current, even though the full
12 effect of that impact would not be statistically
13 realized until a later point.

14 MR. BERNSTEIN: Thank you.

15 MR. CARPENTER: Mr. Workman?

16 MR. WORKMAN: I have a few questions for Mr.
17 Kvasnicka. Are all of your sales of hand trucks at
18 the wholesale level, as opposed to any final sales to
19 end use consumers?

20 MR. KVASNICKA: We sell very little to a
21 final end use consumer with the exception of, you
22 know, a trucking company or something like that.

23 MR. WORKMAN: You don't have any outlets for
24 actual retail customers?

25 MR. KVASNICKA: No.

1 MR. WORKMAN: Okay. I had another question.
2 I noticed in working with the pricing data, I notice
3 your prices, sale prices, vary from one intermediate
4 customer to another. That is, they vary for home
5 improvement stores versus hardware co-ops and other
6 things. What is the reason for this?

7 MR. KVASNICKA: Well, there's two reasons.
8 Number one, we try to sell not exactly like product.
9 It may be somewhat -- a little bit different to try to
10 distinguish say the co-ops from the home centers,
11 although the function and the basic principle of the
12 product is the same.

13 The second reason would be that there's a
14 great deal more involved with selling say a co-op in
15 the sense that you have to attend shows. You have to
16 provide sometimes additional advertising money. They
17 look for large rebates to support their corporate
18 offices. You need additional sales personnel to
19 handle the account in terms of sales reps versus a
20 Home Depot I would call on directly myself or a Lowes.

21 Generally, you know, the basic product mix
22 is similar. There's just a lot more involvement in
23 the cost of doing business with them.

24 MR. WORKMAN: I see. So in the product
25 categories they had, you have product that technically

1 meets the specs of all -- you know, even though the
2 things meet the same specs, the actual product may
3 vary slightly from one category to another?

4 MR. KVASNICKA: Yes, and I think an example
5 right there is the import, the difference between the
6 import truck. We may put wheel guards on it or maybe
7 a slightly larger toe plate, something like that.

8 MR. WORKMAN: Okay. Do you offer products
9 that are not really offered from China? That is, do
10 you have a range of products that are in some ways
11 different than what they have?

12 I know you have some things that are
13 similar, and we've established that so far, but do you
14 have some items that they're just not able to produce
15 or not currently offering?

16 MR. KVASNICKA: I don't know that we have
17 anything. Well, we do offer a nylon truck, which is
18 currently not being produced in China. There have
19 been some patent issues.

20 For the most part, I think anything we
21 produce they can produce. It's just that a lot of
22 these specialty items the demand is just not that
23 great that it's not worth it for them to produce the
24 type of volume that fits the demand.

25 I think it's also important to note that one

1 of the strategies that I've tried to use is to go to
2 places and say hey, you know, we can step up the
3 truck. This is what the import is. We're going to
4 put an 18 inch toe plate on it. We're going to put a
5 bigger wheel guard on it.

6 The buyers just say to me you know, we
7 appreciate your effort, but don't waste your time
8 because all we're going to do is take it over there
9 and copy it. They probably won't even charge us
10 anything extra to do it. I've got pretty good
11 relationships with most of these buyers.

12 MR. JAFFE: Jay, just to put this in
13 perspective, if the entire hand truck market is 100,
14 how much is the nylon of that market? Is it 30?

15 MR. KVASNICKA: One.

16 MR. JAFFE: One?

17 MR. KVASNICKA: Two.

18 MR. JAFFE: So small?

19 MR. KVASNICKA: It's relatively small.

20 MR. WORKMAN: Looking at what price data we
21 have, it does seem to indicate that prices overall for
22 U.S. producers have tended to be fairly stable over
23 time. Have you felt, though, that imports are pushing
24 down your prices? Have you had any problem of that
25 sort?

1 MR. KVASNICKA: Well, they've clearly driven
2 our prices down over the years not just in the last
3 couple years, but over the last probably six or seven
4 years. They've driven the prices down. We're just at
5 a point now where there's no place lower to go.

6 MR. WORKMAN: I see. Okay. I don't have
7 any other questions. Thank you.

8 MR. CARPENTER: Mr. Yost?

9 MR. YOST: Thank you very much. I just have
10 a couple of questions, and these might well be
11 addressed in your postconference brief.

12 Are there any intellectual property rights
13 issues involved in this product in terms of the
14 manufacturing, in terms of the powder coating of the
15 paint, in terms of the welding, in terms of the
16 design, the paint scheme?

17 MR. SIMON: Well, we used to like to believe
18 that our technology was proprietary and that our
19 designs were unique and would not be copied, but I
20 guess the best compliment is that when people start
21 knocking off your product and producing things that
22 are virtually identical, you must be doing something
23 right.

24 No, there's nothing really proprietary in
25 our techniques, although we certainly wouldn't just

1 invite anybody into our plant.

2 MR. YOST: Okay. With regard to the
3 proformas that you attached to your questionnaire
4 response, in your postconference could you please
5 identify or list out the assumptions used in terms of
6 the sales volumes, the components of cogs, SG&A
7 expenses and the like?

8 MR. SIMON: Yes.

9 MR. YOST: Okay. That completes my
10 questions. Thank you very much.

11 MR. CARPENTER: Mr. Andersen?

12 MR. ANDERSEN: I have no questions at this
13 time. Thank you.

14 MR. CARPENTER: Ms. Haines has laryngitis,
15 so she won't be asking any questions.

16 I'll turn now to Mr. Deyman.

17 MR. DEYMAN: I'm George Deyman, Office of
18 Investigations. I just have three brief questions.

19 You mentioned the more specialty hand trucks
20 that are a small part of your volume, which are also
21 probably more profitable. Are those hand trucks made
22 on the same equipment and with the same employees as
23 your larger volume hand trucks?

24 MR. KVASNICKA: Yes, they are.

25 MR. DEYMAN: My second question is in your

1 response to Commerce's first supplemental
2 questionnaire you provided some revised scope
3 language, and I noticed that in the revised scope
4 language you have excluded something called vertical
5 carriers designed specifically to transport golf bags.

6 Now, when we drafted our questionnaires we
7 did not exclude that product from the definition of
8 the subject product because we didn't know about it at
9 the time. Approximately, in your opinion, what share
10 of the imports and of your production would this
11 product account for?

12 MR. JAFFE: I'd just like to give a little
13 background first about that. It was basically a
14 request by the Department of Commerce based upon what
15 they saw in the catalogs.

16 What was interesting was that after further
17 discussion that language was added, but then it was
18 concluded that actually golf bag carriers do not have
19 a toe plate so if you actually look at the general
20 language of the scope definition, a golf bag carrier
21 would not be included.

22 But, they were looking at it, and they were
23 thinking here's a vertical frame, here's a handle,
24 here's two wheels, and so we put in that language. To
25 be honest, it's redundant.

1 MR. DEYMAN: All right. So the data that we
2 collect in response will be correct?

3 MR. JAFFE: It does not include golf bag
4 carriers.

5 MR. DEYMAN: All right. My last question is
6 could you just tell us once again when the line review
7 process takes place at Home Depot, at Lowes and at
8 Granger? What month of each year?

9 MR. KVASNICKA: That varies. There's no
10 specific timeframe involved. It's just whenever they
11 can get everybody together and the buyer has an
12 opening on his schedule.

13 MR. DEYMAN: Is it done every year, the line
14 review process?

15 MR. KVASNICKA: At Lowes it is done every
16 year. At Home Depot it can be, but generally they
17 will continue going. They're just too busy to do it
18 every year, quite frankly.

19 Did you have something you wanted to add?

20 MR. JAFFE: I was just wondering. There was
21 something also in your statement, though, of what
22 might trigger a line review.

23 MR. KVASNICKA: Yes. You know, at any time
24 a competitor can go into the buying office and say
25 look, we've got the opportunity here to save you some

1 money, or we'd like to show you a new product.

2 You know, if the savings look significant
3 they will call a line review at that point and bring
4 us in and say hey, somebody is really taking shots at
5 you.

6 MR. SIMON: I would just like to follow up
7 with one thing that Mr. Kvasnicka said in response to
8 your first question about whether the equipment and
9 employees are used for these other products.

10 Not only are the equipment and employees
11 used for the production of these other products, but
12 the raw materials that we use are interchangeable as
13 well, the basic raw materials of tubing and steel, and
14 so when we lose this business for the high volume
15 products, as I mentioned in my original statement,
16 then our purchasing power is taken away from us so
17 that our cost of purchasing those raw materials for
18 these remaining products will escalate to the point of
19 eroding those margins as well.

20 MR. KVASNICKA: I'd like to add one other
21 thing, too, to the line review process.

22 One of my challenges as being in charge of
23 sales is to motivate our sales people. The problem
24 that I run into and the problem that they run into is
25 they come back, and they get involved with these line

1 reviews at customers against import products.

2 You know, we talk strategy, and we say, you
3 know, let's put together this kind of a marketing
4 program. Let's do this. They come back, and they
5 just say, you know, I don't have a chance. You know,
6 they said your ideas are great, but we're looking at
7 products that are less than half our cost.

8 The buyers just say there's really nothing
9 you can do because any marketing program is going to
10 be far offset by the vast difference in pricing.

11 MR. DEYMAN: Thank you. I have no further
12 questions.

13 MR. CARPENTER: I just have a few followup
14 questions as well.

15 If I could first go back to the issue about
16 the delay in the effect on your bottom line. I
17 appreciate your comments, Mr. Malashevich about what
18 the petition has to say about the injury beginning in
19 2002. I'll take a look at that.

20 In terms of 2003 and in consideration of
21 your lost business to your three top customers, have
22 you seen, and I don't want to tread on confidential
23 information, so if I do please feel free to respond in
24 your brief, but thus far in 2003 have you seen any
25 impact in your income statement as a result of the

1 lost business to those three customers, or would you
2 expect that all to be either beginning in the fourth
3 quarter of 2003 or in 2004?

4 MR. SIMON: First of all, let me make it
5 clear that when we talk about 2003, 2004, 2005, we're
6 referring to our fiscal year that ends June 30 of
7 those years, so we're really probably talking about
8 six months earlier than the time frame that you might
9 be envisioning.

10 MR. CARPENTER: Okay. Thank you.

11 MR. SIMON: We have not seen any direct
12 impact on our bottom line as a result of those
13 decisions thus far because we are still going through
14 the transition process.

15 However, there has been a direct impact upon
16 our decisions to make commitments for purchasing raw
17 materials in the future, for decisions regarding who
18 we're going to hire during a time when some of our
19 other more seasonal products start to get produced.
20 It certainly is impacting our decisions as to what to
21 do with labor rates when we went through our recent
22 negotiations with our unions.

23 MR. KVASNICKA: Can I add something there?

24 MR. CARPENTER: Sure.

25 MR. KVASNICKA: I think it is important that

1 when you talk about those numbers, though, that the
2 phase out at Home Depot -- Home Depot has several
3 buying offices, and this is being phased out in stages
4 so they began September 1, this past September, with
5 one of the buying offices, and every month they're
6 taking and dropping another buying office or every two
7 months until that will be complete. As of April 1, we
8 will not sell them anything.

9 Lowe's, you know, they have asked us to
10 continue to supply them until March 1 until they can
11 sufficiently still their pipeline, so again, you know,
12 we will continue to sell them at our regular rate, but
13 come March 1 it's just gone. We're done.

14 MR. CARPENTER: Have you been able to pick
15 up any other customers since you started to lose the
16 business to those three?

17 MR. KVASNICKA: Quite honestly, as I stated
18 earlier, the impact of those customers, that virtually
19 affects us everywhere because I am more in fear of
20 losing what we do have and just fighting to try and
21 maintain it.

22 As soon as these people see Home Depot and
23 Lowe's and the other major retailers, they just say
24 hey, you know, we've got to compete with them. We
25 don't have any choice.

1 MR. SIMON: After the series of devastating
2 phone calls that Jay received from the various buyers,
3 I think he's become gun shy about even answering his
4 phone these days.

5 MR. JAFFE: I would just like to add one
6 thing. In this particular industry, when you're
7 fired, you're fired. The fact that you might have six
8 months to go before there's the actual termination, a
9 severance period, so to speak, makes no difference.
10 The impact is immediate.

11 MR. CARPENTER: Okay. Mr. Simon, in your
12 testimony, I believe you said that you've lost or that
13 your market share has declined 29 percent since 2000.
14 What is the ending point for that period? Are you
15 saying from 2000 to fiscal 2003? What is the
16 timeframe?

17 MR. SIMON: Those statistics were from
18 calendar year 2000 through the interim period ended in
19 2003, and it applied to all U.S. produced domestic
20 shipments as compared to total shipments. That can be
21 seen in Exhibit 22 of our petition.

22 MR. CARPENTER: Okay. I assume, though,
23 that not much of that decline in market share would
24 relate to the lost business to your top three
25 customers. This would be more to other customers and

1 not just your customers, but you said it's the entire
2 industry?

3 MR. SIMON: That's correct.

4 MR. CARPENTER: Right, but it's your
5 assertion that this is business that is lost to
6 imports from China?

7 MR. SIMON: Yes, because it directly
8 parallels the increase in imports from the Chinese.

9 MR. CARPENTER: Okay. Thank you.

10 MR. MALASHEVICH: Excuse me, Mr. Carpenter.
11 If I could add one further point?

12 Looking at that particular exhibit of the
13 petition, that is our best estimate of total domestic
14 shipments, U.S. produced and apparent consumption, et
15 cetera, calculated in the usual format.

16 I simply wanted to point out that non-
17 subject imports are an extremely small share of the
18 total market. It remained about flat throughout the
19 period, as best we can determine.

20 Their average unit value also is much, much
21 higher than the average unit value of imports from
22 China, so virtually every percentage point gained by
23 the subject imports has been at the expense of the
24 domestic industry as a whole.

25 MR. CARPENTER: Thank you, Mr. Malashevich.

1 Approximately what percentage of the market do you
2 think non-subject imports hold in this industry?

3 MR. MALASHEVICH: During the period of
4 investigation, according to Exhibit 22 of the
5 petition, it ranged between a low of two percent in
6 interim 2003 and a high of four percent in 2002.

7 MR. CARPENTER: Thank you very much. If I
8 could turn to another line of questions now?

9 Mr. Simon and Mr. Kvasnicka, I think you
10 both in your testimony emphasized that your company
11 has been the industry leader in making improvements in
12 features and quality of the product. Mr. Kvasnicka,
13 you were making the point too that the Chinese were
14 copying your designs and so on.

15 I guess my first question is how comparable
16 is the quality of the Chinese product compared to your
17 product, given the same features?

18 MR. KVASNICKA: I think historically if you
19 asked me that question probably 10 years ago I would
20 have said there's no comparison. However, the quality
21 has improved significantly and to the point now that
22 the quality is very comparable.

23 However, you know, the bottom line here is
24 that quality is close enough that the factor just
25 becomes price.

1 MR. CARPENTER: I understand. Do you try to
2 market your product to your customers as being
3 superior in quality to the Chinese product?

4 MR. KVASNICKA: We try to market it as being
5 superior to the Chinese and all other domestic
6 manufacturers as well as best I can.

7 MR. CARPENTER: Your point is that the
8 quality is fairly close and that price is the driving
9 factor?

10 MR. KVASNICKA: Yes.

11 MR. CARPENTER: What is the approximate
12 timeframe? If you come up with a new design or add
13 some new features to your product, in terms of the
14 Chinese manufacturers being able to copy it how long
15 would that take before they would be able to bring a
16 similar product onto the market?

17 MR. KVASNICKA: This would obviously just be
18 my opinion, but from what we've seen I would say three
19 to six months.

20 MR. CARPENTER: Okay. Thank you.

21 MR. SIMON: They move so quickly that when
22 we go to trade shows we have to be particularly
23 protective over any new products that we're
24 introducing to make sure that they're not walking by
25 and actually seeing them just as a prototype where

1 they'll be able to, you know, produce it and bring it
2 to market perhaps even before we get it out to market.

3 MR. CARPENTER: I see. Just one other final
4 line of questions, and that's about the aluminum
5 trucks. What is the advantage of the aluminum over
6 the steel trucks?

7 MR. KVASNICKA: The advantage would be two
8 things. Number one, they are lighter in weight, and,
9 number two, because they are modular and can be bolted
10 together, if you would break a component part like a
11 toe plate rather than replace the truck you can
12 replace the toe plate.

13 I mean, people who are working as delivery
14 carriers, say Coca-Cola, somebody like that, is more
15 apt to buy an aluminum truck because they're
16 constantly lifting them on and off the back of trucks
17 and going up and down stairs. The lighter weight
18 becomes an advantage.

19 MR. CARPENTER: That answers my question. I
20 was wondering what advantage aluminum would have, but
21 I can see if you're using it all day it would make a
22 difference.

23 What is the approximate difference in price
24 between aluminum and steel for a comparable featured
25 product, if there are two comparable products?

1 MR. KVASNICKA: I'm going to say about 20
2 percent. Again, because you can develop so many
3 different features on the aluminum it can vary a
4 little bit, but 20 percent is probably a fair
5 estimate.

6 MR. SIMON: But I think when he uses that
7 number he's probably referring to the cost of an
8 aluminum hand truck to our highest volume steel hand
9 truck, whereas the steel hand truck prices are really
10 part of an entire continuum where we might have steel
11 products sold at a very low price, depending on what
12 features it might have, and then as we increase the
13 features or increase the amount of steel that might be
14 used in it then the continuum will increase to the
15 point where one of our very high end steel hand trucks
16 might be very close or higher than the cost of an
17 aluminum hand truck.

18 MR. CARPENTER: Okay. Thank you. Is there
19 any difference in the durability or your product, as
20 compared to the Chinese product?

21 MR. KVASNICKA: I would say no.

22 MR. CARPENTER: Okay. Just one last
23 question on the aluminum. Approximately what share of
24 the overall hand truck market would be accounted for
25 by aluminum trucks?

1 MR. SIMON: Yes. It's our opinion that it
2 represents a very small percentage of the overall hand
3 truck market, but in our postconference brief we'll be
4 able to address that more specifically.

5 MR. CARPENTER: Okay. Thank you very much.

6 Mr. Deyman?

7 MR. DEYMAN: George Deyman, Office of
8 Investigations. I have one more question.

9 In the hand trucks that you submitted as
10 samples, you mentioned that the Chinese hand truck had
11 wheel guards and a larger toe plate. When you lost
12 the business to Home Depot, did they mention the fact
13 that the Chinese truck had more features than yours,
14 or was it purely price that they were talking about?

15 MR. KVASNICKA: It was purely price because
16 we offered -- you know, we addressed the fact that we
17 were taking off those items just to try to lower our
18 price, to get closer. We made every effort to get as
19 close to their pricing as we could.

20 MR. SIMON: I mean, they didn't develop
21 those features on their own. They basically copied
22 those features that we used to show on our products.
23 We just had to pare them back gradually over time in
24 order to continue to remain competitive.

25 MR. DEYMAN: Thank you. I have no further

1 questions.

2 MR. CARPENTER: Mr. Bernstein?

3 MR. BERNSTEIN: I have I think three further
4 questions.

5 The first one is that the data in the
6 petition show that apparent U.S. consumption of hand
7 trucks has been steadily rising since 2000, which is
8 not necessarily coincident with a robust period of the
9 economy. Can you provide any explanation for that?
10 Do you have any insight on that?

11 MR. SIMON: Well, it is our opinion that the
12 sales of hand trucks are not cyclical and that the
13 only explanation we can offer is that when the economy
14 becomes depressed people lose their jobs. People have
15 to move out of their houses and maybe into apartments
16 or downsize the apartment that they're living in.

17 Perhaps they can't even afford to call
18 moving companies anymore, so the natural step is to go
19 find a hand truck that you can use to help you move.
20 As a result, you might see some increase in sales, but
21 again we're speculating.

22 MR. JAFFE: A hand truck is not a luxury
23 item, so I think that's one of the major reasons as
24 well.

25 MR. BERNSTEIN: Okay. Thank you.

1 Mr. Simon, in one of your responses to the
2 questions Mr. Carpenter just asked you mentioned some
3 negotiations with the union that represents the
4 employees that produce hand trucks.

5 Are these negotiations still ongoing? Have
6 you all reached a new collective bargaining agreement
7 in recent months? Could you provide a little more
8 information on the status of that?

9 MR. SIMON: No, they're not ongoing. We did
10 reach a conclusion with them. It wasn't a very I
11 guess pleasant experience for either side because at
12 the time that these negotiations were going on is when
13 we received the calls from Home Depot and Lowes, so we
14 were able to share with them that information.

15 As a result, we had to use that as leverage
16 in keeping their increases down to a very minimal
17 amount. In fact, they barely received a cost of
18 living increase in an effort to just try to preserve
19 as many jobs as we could, knowing that most of these
20 jobs will be eliminated anyway if this antidumping
21 suit does not become successful.

22 MR. JAFFE: Matthew Jaffe. I'd just like to
23 confirm that yesterday one of the unions that
24 represents the laborers at the Goshen plant actually
25 filed a letter with the Commission and with the

1 Department of Commerce supporting the petition.

2 MR. BERNSTEIN: Thank you.

3 Mr. Simon, just to follow up, have
4 employment levels yet been cut in any of your
5 facilities, or have you given your unions any notice
6 that employment levels are likely to be cut? I'm
7 assuming that's required by the collective agreement,
8 which, of course, I don't know.

9 MR. SIMON: Well, we try not to make it a
10 practice of notifying people that employment levels
11 are going to be cut right around the holidays, but in
12 terms of our hiring additional people to take care of
13 the increased production that we typically enjoy for
14 the lawn and garden products that we produce, we have
15 not been as aggressive with the hiring of those new
16 people, and it's actually kept our employees
17 relatively constant when at this time they're
18 typically much higher.

19 MR. BERNSTEIN: Thank you.

20 My last question is for counsel, and this
21 goes back to something Mr. Bruno said in his opening
22 remarks where his statement, and I'm paraphrasing, was
23 essentially that perhaps the Commission should infer
24 if there is a low return rate on the questionnaires
25 that it suggests a low degree of industry support for

1 the petition.

2 I guess I would note initially that I
3 understand from the Office of Investigations we have
4 been having some difficulty thus far in getting
5 responses from domestic producers, including some of
6 the domestic producers who state they support the
7 petition, to our questionnaires.

8 We hope obviously that can be resolved and
9 we can get a complete set of responses. My question
10 to you is if we don't, our first question, are there
11 any inferences we should or shouldn't draw from that?

12 The second question, which is a little more
13 specific, is if you could address in your brief to
14 what extent the Federal Circuit decision in
15 Suramerica, which is a decision from several years ago
16 -- I don't have the citation in front of me -- you
17 believe is or is not relevant to these investigations.

18 MR. JAFFE: Well, in response to your
19 question should there be any inferences you should
20 make, the answer is no. It is the Thanksgiving
21 holiday. As you know, that was something that we
22 tried to factor in, but I think that may explain to a
23 degree why there is, relative to other things, a
24 slower response to the questionnaire.

25 We will also address Sur America in our

1 postconference brief.

2 MR. BERNSTEIN: Thank you.

3 MR. CARPENTER: Okay. Thank you again very
4 much for your testimony and for your responses to our
5 questions.

6 At this point we're going to take a recess.
7 The Commission has scheduled a meeting for 11:30 where
8 they're going to vote on the Ductile Iron Waterworks
9 Fittings case, so we're going to have to break to
10 rearrange the furniture and then after the vote
11 arrange it back again.

12 I think we should be set up and ready to go
13 by about 11:50, so if everyone could be back in the
14 hearing room by 11:50 we'll begin at that point. Of
15 course, please take any confidential information with
16 you.

17 You're welcome to stay for the vote, too, if
18 you'd like. Thank you.

19 (Whereupon, a short recess was taken.)

20 MR. CARPENTER: If everyone could take a
21 seat, please, we'll resume the conference.

22 Mr. Bruno, please start whenever you're
23 ready.

24 MR. BRUNO: Thank you, Mr. Chairman. For
25 the record, my name is Philippe Bruno with the law

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1 firm of Greenberg Traurig.

2 I'm appearing today on behalf of the China
3 Chamber of Commerce for Import & Export of Machinery &
4 Electronics and its individual members, whose names
5 have been provided to the Commission in prior filings
6 so I will not repeat all these names in Chinese for
7 you today.

8 At the outset, let me say that
9 representatives of the Chinese industry regret not
10 being able to attend this hearing, but the time
11 constraints imposed by the Commission's preliminary
12 schedule did not allow them to obtain visas in time to
13 attend this conference.

14 The Commission has received a number of
15 questionnaire responses from the Chinese exporters and
16 producers, and they are prepared to cooperate fully
17 with the Commission on this investigation.

18 As is customary in the preliminary phase of
19 an investigation, my purpose today is to point out to
20 the Commission a number of witnesses and deficiencies
21 in the Petitioners' injury case and to suggest areas
22 for further scrutiny and investigation by the
23 Commission if needed obviously.

24 If there were to be a theme in this case, it
25 would be this petition was filed too early. The

1 Commission must determine whether the subject imports
2 are causing present material injury. The financial
3 data provided by the Petitioners do not support a
4 finding of present material injury.

5 Any injury must be by reason of the subject
6 imports. Although Chinese imports have increased both
7 in absolute terms and relative to U.S. consumption,
8 the pricing information provided by the Petitioners
9 does not show that such imports have had any
10 depressing or suppressing effect on U.S. prices.

11 Aware of these facts, the Petitioners have
12 told us to wait until sometime in 2004 and 2005 to see
13 the impact that Chinese imports will have on their
14 operation. Although the Commission must address the
15 threat of material injury as part of its preliminary
16 determination, the Commission cannot find threat of
17 material injury if the Petitioners do not show that
18 they are currently vulnerable to such a threat.

19 In Commission precedence, the vulnerability
20 of an industry has been found when such industry's
21 current indicia of performance showed signs of
22 weakening. The problem here is that the indicia of
23 performance provided by the Petitioners in their
24 petition, which presumably will be identical to those
25 provided in their questionnaire response, show no sign

1 of weakening.

2 Look at the trends in Petitioners'
3 production, net sales and profitability. Is this an
4 industry that shows signs of weakening? Compare those
5 trends with those of industries that the Commission
6 found to be vulnerable to the threat of material
7 injury in prior threat determinations. Is this
8 industry vulnerable today?

9 The Petitioners correctly pointed out that
10 there are essentially three market segments --
11 residential, commercial and industrial. Hand trucks
12 are sold to home improvement stores, catalog houses
13 and industrial distributors and to fleet owners and
14 other customers.

15 As the Petitioners have alleged, and we
16 concur with them on this point, the great bulk of
17 Chinese hand trucks are for residential use and are
18 sold to national home improvement stores. There are
19 few, if any, sales of Chinese hand trucks for
20 commercial or industrial use, the other two market
21 segments.

22 It is our understanding that most Chinese
23 hand trucks for residential use are of steel
24 construction and lightweight, which make them more
25 suitable for use by homeowners and small businesses.

1 In the statements, we were told that the
2 Chinese products are not exactly comparable to those
3 offered by the Petitioners. If this is confirmed, it
4 is uncertain whether the products that the Petitioners
5 identify for price comparison purposes will result in
6 fair comparisons, apples with apples and oranges with
7 oranges.

8 The Petitioners' case hangs by one thread
9 and one thread only. Chinese imports have increased
10 in absolute terms and have captured the largest share
11 of one segment of the U.S. market, the residential
12 market.

13 However, the Petitioners are unable to
14 substantiate the impact that such an increase has had
15 on their ultimate profitability and prices during the
16 period of investigation. There were unable to
17 demonstrate that U.S. prices had been depressed or
18 suppressed by Chinese imports, notwithstanding the
19 price differential between Chinese and U.S hand
20 trucks.

21 In this regard and without prejudging the
22 information that the Commission will collect on
23 pricing, I invite you to analyze carefully the table
24 provided by Petitioners in Exhibit 23 of their
25 petition. In particular, I invite you to look at the

1 Petitioners' prices to home improvement stores for the
2 entire period for which they were provided, which is
3 the segment in which Chinese imports compete with U.S.
4 product.

5 We believe that this information does not
6 support a finding of price depression. In fact, if
7 one looks at the Chinese prices to the same segment in
8 the next column, we observe exactly the same trend.
9 This information, which Petitioners have supported to
10 be representative of the U.S. industry as a whole,
11 does not indicate that Chinese imports have forced
12 U.S. producers to lower their prices to meet the
13 Chinese competition.

14 In fact, the nature of the price
15 differential between imported and U.S. hand trucks
16 would suggest that there are two types of products
17 sold for residential use that do not compete exactly
18 with each other.

19 Furthermore, when one examines the cost of
20 goods sold information provided by Petitioners, there
21 is no indication that Chinese prices have had a
22 suppressing effect on U.S. prices either. This is a
23 comparison between the cost of goods sold information
24 and the table in Exhibit 23.

25 The financial information provided by the

1 Petitioners will be aggregated with that collected
2 from other U.S. producers. However, Petitioners have
3 alleged that their financial performance is
4 representative of that of the U.S. industry as a
5 whole.

6 Taking Petitioners at their word, it is
7 worth nothing that Petitioners' financial information
8 does not support a finding of present material injury
9 or of vulnerability to the threat of material injury,
10 as I mentioned earlier. Given the lack of support for
11 this case and the large number of U.S. hand truck
12 producers, our view is that the U.S. industry has not
13 been injured from imports from China.

14 This brings me to the issue of the threat of
15 material injury. The information provided by
16 Petitioners that I discussed earlier shows that
17 Chinese imports of hand trucks have had no discernable
18 impact on Petitioners' profitability, overall
19 performance and prices. In spite of the price
20 differential between Chinese and U.S. hand trucks,
21 there is no evidence of depressing or suppressing
22 effects on U.S. prices.

23 The Petitioners have failed to show that
24 they are currently vulnerable to the possible threat
25 posed by imports from China. As stated earlier, the

1 question of the vulnerability of the U.S. industry to
2 the threat of material injury is an initial matter
3 that the Commission considers in analyzing this issue.

4 The fact that a U.S. industry remains
5 profitable, its production, shipments and sales were
6 stable or increased during the period of
7 investigation, have all been factors that the
8 Commission has considered for its vulnerability
9 assessment and threat of material injury
10 determination.

11 I refer you to two recent Commission
12 negative preliminary determinations on threat of
13 material injury concerning Acid Chemistry From China,
14 Germany and India and Ball Bearings From China.

15 We all know that China is a formidable
16 trading partner, which will continue to create a
17 serious challenge to the U.S. industries in the years
18 to come. In fact, this Commission has seen a steady
19 increase in a number of antidumping duty cases brought
20 against Chinese imports in the recent past.

21 Not all of these cases are justified,
22 however, and this petition is one of them. If, as
23 Petitioners allege, their performance is
24 representative of the U.S. industry as a whole, the
25 increase in Chinese imports over the last three years

1 has had no discernable impact on the domestic
2 industry, and thus there is no present indication that
3 things will change for the worse in the foreseeable
4 future.

5 The Commission has received six
6 questionnaire responses from Chinese hand truck
7 exporters. These include the three largest Chinese
8 exporters to the United States. The aggregate data
9 for these responses show that Chinese production
10 capacity increased from 2000 to 2001 and has remained
11 flat since then.

12 Capacity utilization is very high and
13 exceeded 90 percent in 2002 and 2003. Although
14 imports to the United States increased during the
15 period of investigation, there was no concomitant
16 decline in Chinese exports to third markets and their
17 domestic market. Both have increased as well.

18 In other words, Chinese hand truck imports
19 to the United States were not diverted from other
20 markets. In fact, sales of Chinese hand trucks to
21 third countries and the Chinese market increased by
22 almost 150 percent between 2000 and 2002, while
23 exports to the United States increased at a much lower
24 rate.

25 Inventories in China are low and declining.

1 This information belies Petitioners' claim that
2 Chinese hand truck imports will continue to increase
3 at such levels as to cause material injury to the U.S.
4 industry. In fact, the very high capacity utilization
5 in China and growing sales to third countries would
6 indicate that any threat to the U.S. industry is
7 premature.

8 This is particularly true in light of the
9 recent forecast for the U.S. economy, which predicts a
10 robust recovery this last quarter and for 2004. The
11 U.S. market for hand trucks has been growing at a
12 steady pace during the last three years at a time
13 where the U.S. economy was experiencing what I will
14 call a slowdown.

15 There is no indication, based on the
16 information provided by Petitioners themselves and
17 recent forecasts regarding the U.S. economy, that this
18 growth in the U.S. market for hand trucks will slow
19 down any time soon.

20 Thank you.

21 MS. MURPHY: Good afternoon. I'm Barbara
22 Murphy of Adduci, Mastriani & Schaumberg appearing
23 with Mark Leventhal on behalf of Central Purchasing,
24 Inc. headquartered in Camarillo, California, which
25 does business as Harbor Freight Tools.

1 Among many other things, Harbor Freight
2 Tools is an importer of hand trucks from China.
3 Harbor Freight Tools sells through catalog, internet
4 and retail stores. It sells directly to consumers,
5 which include do-it-yourselfers, homeowners and small
6 businesses.

7 Founded in 1968, Harbor Freight Tools is a
8 leading specialty equipment retailer of tools and
9 equipment to do-it-yourself enthusiasts and small
10 business customers across the country. With a
11 successful nationwide catalog, internet, direct
12 marketing division and a total of 166 retail stores
13 operating under the Harbor Freight Tools name, Harbor
14 Freight Tools reaches millions of tool lovers every
15 year.

16 The company is dedicated to offering its
17 customers quality, value, selection and service. It's
18 product offering comes from all over the world and
19 includes many famous brands.

20 Harbor Freight believes that there is
21 little, if any, direct competition between imports of
22 hand trucks from China and hand trucks produced
23 domestically. The imported hand trucks are generally
24 low-priced models sold primarily to individuals and
25 do-it-yourselfers and really should be considered

1 household hand trucks. On the other hand,
2 domestically produced trucks are more expensive and
3 are sold primarily, we believe, to businesses and
4 industrial users.

5 The availability of low-priced Chinese
6 imports is creating a new market of hand trucks that
7 has been previously untapped. For example, many
8 individual homeowners may not pay \$80 to \$90 for a
9 hand truck, but would perhaps pay in the \$20 to \$30
10 range. Again, with the Chinese imports we believe
11 that hand trucks are now available in that price
12 range, and we are seeing an increase in overall demand
13 for hand trucks as individuals and the DIY crowd are
14 now buying such hand trucks.

15 In that regard, Harbor Freight does not
16 believe that the increase in imports has occurred at
17 the expense of domestic hand trucks. Rather than
18 displacing U.S. sales, the Chinese products are
19 filling this new market segment of household hand
20 trucks.

21 In evaluating the condition of the U.S.
22 industry producing hand trucks, we recommend that the
23 Commission investigate the impact of the 201 tariff on
24 the domestic industry. To the extent that U.S.
25 producers were dependent upon foreign steel, they were

1 forced to pay additional duties to maintain their
2 sources of supply. Alternatively, they would have
3 been forced to pay higher prices to U.S. steel
4 companies. In either situation, this would have
5 caused a potentially significant increase in their raw
6 material cost, which would have had a direct impact on
7 profitability.

8 At this early stage of the investigation
9 where we really have not had a chance to evaluate any
10 aggregate data about the U.S. industry, we're not in a
11 great position to comment on the condition of that
12 industry.

13 Once the Commission has collected that data,
14 however, assuming it actually becomes available and is
15 forthcoming from the U.S. producers, we do not expect
16 the Commission will find the requisite facts to
17 warrant a finding of a reasonable indication of
18 material injury or even a threat thereof.

19 Thank you.

20 MR. BRUNO: This concludes our case
21 presentation.

22 MR. CARPENTER: Thank you very much for your
23 testimony. We'll begin the questions with Mr.
24 Bernstein.

25 MR. BERNSTEIN: The first question is for

1 both Mr. Bruno and Ms. Murphy.

2 Have your clients taken any position on the
3 appropriate definition of the domestic like product in
4 this investigation?

5 MR. BRUNO: Mr. Bernstein, not at this
6 point. We will continue to analyze the facts, and we
7 reserve our judgment on this particular issue until a
8 little longer, a little later.

9 MS. MURPHY: We're in the same position. We
10 recognize that it covers a very broad scope, but we
11 will not be taking a position on like product during
12 the prelim.

13 MR. BERNSTEIN: Thank you. I guess the next
14 question will also be directed to both of you.

15 We heard a lot of testimony from the
16 Petitioners this morning that the Gleason Company had
17 been supplying these large accounts such as Home Depot
18 and Lowes and that they've been informed by these
19 accounts that they're switching to the Chinese
20 product.

21 Does either of you, first of all, dispute
22 the predicate that the domestic industry is losing
23 sales at these accounts to Chinese imports? Do you
24 dispute that as a fact?

25 I mean, I realize that particularly, Mr.

1 Bruno, you were going into what legal inferences we
2 can draw from this fact, but, first of all, does
3 either of you dispute the fact?

4 MR. BRUNO: Well, with the exception of what
5 has been provided in the petition, which could be
6 purely speculative to the extent that it's projecting
7 the future, I don't think we've seen evidence that
8 those customers' accounts have sold over the long
9 term.

10 I was very interested this morning to hear
11 the testimony -- I think it was one of the gentlemen
12 here -- that said basically that competition could go
13 back to the large customers and make a case and
14 constantly try to sell their product and so forth.

15 What I heard from him was that essentially
16 it may be at this point, and again I say it may be at
17 this point that there has been a switch by those large
18 customers to purchasing more Chinese product, but we
19 don't know for a fact, and that's where I have a
20 problem with the testimony presented today and the
21 information provided in the petition.

22 We don't know that it's going to be
23 permanent for sure, given the fact that we were told
24 this morning that they review their product lines
25 every so often and that there is a possibility to go

1 back to those buyers and make a case for them to buy
2 your products again. I mean, that was clearly said
3 several times this morning.

4 The question is that even if we assume that
5 the Chinese have taken the sales or a portion of those
6 sales at this point in time, it doesn't mean that
7 Gleason cannot go back within three or four months and
8 regain a portion of the lost sales. That is very
9 speculative on their part to say well, it's lost for
10 good. This is not what I heard this morning in terms
11 of their testimony.

12 MS. MURPHY: And from Central Purchasing's
13 perspective, I don't think it was until this morning's
14 presentation that those company names were discussed
15 publicly, so we were not in a position to discuss them
16 prior to this.

17 Harbor Freight Tools does not supply those
18 companies, but we'll look into whether or not there is
19 anything we have to specifically dispute that. At
20 this time, we do not have that information.

21 MR. BERNSTEIN: Ms. Murphy, does your
22 client's firm source hand trucks exclusively from
23 China?

24 MS. MURPHY: Also from India and Taiwan.

25 MR. BERNSTEIN: Okay. Do you know how long

1 that sourcing pattern has been the case?

2 MS. MURPHY: At least during the period of
3 investigation.

4 MR. BERNSTEIN: Okay. Has your client ever
5 solicited bids from U.S. producers or price quotes?

6 MS. MURPHY: I don't know if they have
7 during the period of investigation.

8 MR. BERNSTEIN: Okay. Is it correct to
9 characterize your testimony as saying in effect that
10 well, the Chinese product has expanded the product
11 market because it's available at a low cost? Is that
12 a correct characterization of what you were trying to
13 get across?

14 MS. MURPHY: I think it is. I think that's
15 why you're seeing a new demand or a higher demand and
16 an increased demand despite other economic factors
17 that might lead you to think otherwise.

18 MR. BERNSTEIN: Mr. Bruno, do you have any
19 comment on Ms. Murphy's characterization?

20 MR. BRUNO: No.

21 MR. BERNSTEIN: Okay.

22 MS. MURPHY: We're not saying that they're
23 dumped imports, but we're not disputing that the
24 prices are low.

25 MR. BERNSTEIN: Okay. I just wanted to make

1 sure I did not put words into your mouth before asking
2 Mr. Bruno to comment on it.

3 Mr. Bruno, let me ask a question to you. A
4 part of your testimony I had a little difficulty
5 understanding. It seems to be a fact that Chinese
6 imports of hand trucks have increased in recent years.
7 One would anticipate that such an increase would occur
8 either because Chinese production capacity has
9 increased, because Chinese capacity utilization has
10 increased or because the Chinese are shifting products
11 to the United States that had either been supplied to
12 the home market or supplied to other export markets.

13 Your testimony, if I understood it
14 correctly, seemed to indicate that none of these three
15 was the case. Could you explain a little more, I
16 mean, since it's a fact that Chinese imports are
17 increasing. How are the Chinese producers able to
18 increase their supply to the U.S. market the way they
19 historically have been?

20 MR. BRUNO: Well, let me first say that the
21 testimony I presented earlier is based on the
22 questionnaire responses of six large producers from
23 China. These questionnaires are available to the
24 Commission at this point.

25 My understanding of the situation is that

1 there was an increase in capacity between 2000 and
2 2001 in China, which is borne out by the information
3 provided in the questionnaires. Since then, at least
4 for the six large producers, capacity has remained
5 flat.

6 The data show that the increase to third
7 countries and the domestic market has been enormous --
8 150 percent if you look at the last three years -- and
9 we have to believe that the increase in imports to the
10 United States is the result of the increase in
11 capacity that has been documented between 2000 and
12 2001.

13 If you look at the capacity utilization
14 rate, you will see that the capacity utilization rate
15 does increase from I believe somewhere around 70
16 percent in 2000 to basically 90 percent and over in
17 2002 and 2003, so I think that what you've seen here,
18 the increase that has come to the United States, is
19 the result of that increase in capacity and then a
20 result of the increase in the capacity utilization in
21 China over the periods.

22 MR. BERNSTEIN: A final question. Does your
23 client, the China Chamber of Commerce, maintain any
24 sort of aggregated data for the Chinese hand truck
25 industry?

1 MR. BRUNO: We do not know that at this
2 point.

3 MR. BERNSTEIN: Obviously I think it would
4 be helpful for us if you could find that out.

5 MR. BRUNO: Yes. We will.

6 MR. BERNSTEIN: If the data do exist, if you
7 could provide them?

8 MR. BRUNO: We will.

9 MR. BERNSTEIN: Thank you. I have nothing
10 further at this time.

11 MR. CARPENTER: Mr. Workman?

12 MR. WORKMAN: I had a question for Ms.
13 Murphy. You were talking about these products being
14 cheaper than anything available in the United States.
15 Do these products compete directly with U.S. producers
16 at all? That is, the accounts that your company is
17 selling to. Are they accounts that also buy from U.S.
18 producers?

19 MS. MURPHY: For the most part, Harbor
20 Freight is not selling to companies.

21 MR. WORKMAN: It sells to individuals,
22 right?

23 MS. MURPHY: Right.

24 MR. WORKMAN: Does it offer a product?
25 You're talking about these things being too

1 inexpensive. Are the products similar in physical
2 characteristics to the products offered by the U.S.
3 industry? Do you know?

4 MS. MURPHY: We're not really sure about
5 that. I think that they may be lighter weight
6 products sold by the Chinese, but we're not really
7 sure about that.

8 MR. WORKMAN: Would it be like aluminum
9 versus steel?

10 MS. MURPHY: I think that they're all steel
11 products sold by them.

12 MR. WORKMAN: But they're still lighter
13 weight? Are they just kind of structurally different
14 in some way?

15 MS. MURPHY: Not to my knowledge.

16 MR. WORKMAN: Okay. I don't have any other
17 questions.

18 MR. CARPENTER: Mr. Yost?

19 MR. YOST: I have no questions. Thank you
20 for coming here.

21 MR. CARPENTER: Mr. Andersen?

22 MR. ANDERSEN: Peder Andersen. I have no
23 questions at this time.

24 MR. CARPENTER: Mr. Deyman?

25 MR. DEYMAN: George Deyman. Office of

1 Investigations.

2 Would you agree that the firms listed in the
3 petition, the Chinese firms which are your clients,
4 account for all or almost all of the hand truck
5 production in China?

6 MR. BRUNO: I don't remember the names in
7 the petition. I have difficulty remembering Chinese
8 names.

9 I can tell you that the six questionnaire
10 responses that you have received account for over 70
11 percent of U.S. exports and, by our calculations, over
12 60 percent of Chinese production.

13 MR. DEYMAN: So they don't account for the
14 total. Do you know of any --

15 MR. BRUNO: They do not account for the
16 total. That's correct.

17 MR. DEYMAN: Do you know of any other
18 producers of hand trucks in China, or could your
19 clients maybe tell you who some of the other producers
20 in China are, and then you could notify us?

21 MR. BRUNO: We will do so.

22 MR. DEYMAN: Thank you. I have no further
23 questions.

24 MR. CARPENTER: I would just like to explore
25 a couple questions based on your testimony.

1 Ms. Murphy, as I understood it, you
2 indicated that the Chinese imports are expanding the
3 market by offering low-priced product to consumers at
4 the home improvement stores primarily. Is that true?

5 MS. MURPHY: Well, home improvement stores,
6 and my client sells its product directly to consumers
7 through catalog, internet and the retail stores.

8 MR. CARPENTER: I see. Is it your
9 assertion, however, that the Chinese are expanding the
10 market by offering a product at a lower price at the
11 retail level than has been offered by the U.S.
12 industry?

13 MS. MURPHY: That is what our understanding
14 of the situation is, yes.

15 MR. CARPENTER: Okay. I was just trying to
16 reconcile that with some of the testimony this morning
17 where it sounded like the Petitioners were saying that
18 particularly at some of the home improvement stores
19 they had offered a product at a low price, such as
20 \$30, and the Chinese product now was also being
21 offered at the retail level at \$30.

22 However, they were selling at a lower price
23 to the home improvement stores. They just weren't
24 passing along the savings to the consumer. What's
25 your understanding on that?

1 MS. MURPHY: We first heard about that this
2 morning, and that's not the way that Harbor Freight
3 sells its product. We can possibly get more
4 information on that, but we do not have that
5 information.

6 MR. CARPENTER: Okay. If you do have
7 anything more that you can provide in your brief to
8 support your assertion that they have expanded the
9 market by selling at the retail level at a lower price
10 than domestic product has been offered at, I'd
11 appreciate seeing that.

12 Also, Mr. Bruno and Ms. Murphy, I think both
13 of you refer to these three market segments, the
14 residential market, the commercial market and the
15 industrial segment of the market. Could you just talk
16 a little bit about competition in those three market
17 segments between the U.S. product and the Chinese
18 product? Is there competition in all three segments?

19 MR. BRUNO: My understanding, based on a
20 conversation that we had and communication that we had
21 with the Chinese, and we have not been able to confirm
22 that with the U.S. importers as yet, so I'm getting
23 only one side of the story, is that the Chinese
24 products are primarily destined for the residential
25 market.

1 In other words, they are of, as I said, a
2 steel, material made of steel usually for lightweight
3 use by homeowners or small businesses. Therefore,
4 they are targeting that particular residential market
5 segment.

6 Our understanding is that there are few
7 imports and sales of Chinese products in the other two
8 what I call market segments. I'm not sure they're
9 exactly market segments, but for industrial and
10 commercial use.

11 Again, this is based on communications that
12 we had with the Chinese. I would have liked to have a
13 U.S. importer testifying here today to answer some of
14 these questions, and we will definitely continue to
15 inquire with the U.S. importers because I think it's
16 important for this case to see if there are indeed
17 different segments of the market in which perhaps the
18 Chinese imports do not compete with the U.S. products.

19 MR. CARPENTER: Do you have any estimate as
20 to the approximate size of those three market
21 segments?

22 MR. BRUNO: No, I do not.

23 MR. CARPENTER: Okay. I don't want to put
24 words in your mouth, but would you estimate that the
25 residential market segment would be the largest of the

1 three, or is that difficult to say based on what you
2 know?

3 MR. BRUNO: No. I cannot agree to that.

4 MR. CARPENTER: Okay. Thank you.

5 Ms. Murphy, would you agree with Mr. Bruno
6 as far as where the Chinese product is predominantly
7 competing?

8 MS. MURPHY: Yes, we concur in that
9 analysis. Yes.

10 MR. CARPENTER: Thank you.

11 In discussing this further in the next
12 couple of days with importers, if you have any further
13 information about these market segments that you'd
14 like to provide in your brief that would be helpful.

15 MR. BRUNO: Thank you.

16 MR. CARPENTER: Are there any other
17 questions?

18 (No response.)

19 MR. CARPENTER: Okay. Thank you very much
20 for your testimony. We'll take a short recess of
21 about 10 minutes, and then we'll have the closing
22 statements from each side beginning with the
23 Petitioners.

24 (Whereupon, a short recess was taken.)

25 MR. CARPENTER: Welcome, Mr. Jaffe and Mr.

1 Malashevich. Please begin.

2 MR. JAFFE: Again, Matthew Jaffe with the
3 law firm of Crowell & Moring. A few incidentals to
4 begin with.

5 First, I just received a note a little after
6 noon of today that says DOC has initiated, so I think
7 any questions about whether there's standing are
8 answered. Yes, absolutely we represent and the
9 petition was filed on behalf of the U.S. industry that
10 manufactures hand trucks.

11 Second, there was something a little
12 unusual. I mean customer names. I must admit, as a
13 lawyer I always fear the mention of customer names,
14 and yet Gleason was adamant. They thought that it was
15 important that you understand on the public record so
16 that you would be able to understand their position
17 that they mention these names, and yet they want to
18 make a very critical point here that they recognize
19 why Home Depot, Lowes and Granger did what they did.

20 When these in line reviews took place and
21 they lost -- that is Gleason lost -- those sales, they
22 tried to go back and compete, but basically the
23 message was sent to them don't waste your time. The
24 prices are so low that you can't compete.

25 At this particular time I'm going to ask

1 Bruce to make a few particular points, and then I'll
2 conclude.

3 MR. MALASHEVICH: Thank you, Mr. Jaffe.
4 Just three points.

5 One, Respondents' counsel asserted that the
6 imports from China are serving a new "untapped market"
7 and expanding demand not being served by the U.S.
8 industry. That's not accurate at all. As you heard
9 the testimony earlier today, the home improvement
10 channel is a channel basically created by the domestic
11 industry more than 10 years ago and has been served
12 almost exclusively, if not exclusively, with U.S.
13 produced product until the Chinese entry some years
14 ago.

15 It can by no means be said that the imports
16 from China are creating new demand by serving a
17 previously unserved segment of the market. If
18 anything, the home improvement channel sales clearly
19 have expanded, but not so as to expand the total U.S.
20 market.

21 They have expanded their share using dumped
22 imports of total demand at the expense of traditional
23 channels of distribution that are still served
24 primarily by the domestic industry, so the imports are
25 hurting the domestic products directly by displacing

1 in the home improvement channel and indirectly by
2 displacing other channels of distribution where the
3 domestic industry is still active.

4 The other way hypothetically they might
5 expand demand is if demand was price elastic. From
6 interviewing the industry witnesses here today, it
7 appears that demand is not price elastic for hand
8 trucks. It is a derived demand by the demand for
9 moving things, lifting things.

10 A typical homeowner is not going to buy
11 three instead of one hand truck because the price
12 might be low. Demand is not price elastic, so
13 increase in imports practically displaced U.S.
14 production on a one-for-one basis.

15 Finally, you heard earlier and Mr. Bruno
16 admitted that the questionnaires received thus far
17 from Chinese producers account for only about 60
18 percent, in his estimate, of Chinese production. When
19 you do a comparison of the reported Chinese exports to
20 the United States to the official U.S. import data,
21 you'll see a widening gap between the two over time.

22 That widening gap represents new entrants
23 and other Chinese participants that have not reported
24 questionnaires to the Commission, and that is where a
25 lot of the new activity is coming from.

1 Thank you.

2 MR. JAFFE: The petition was filed too
3 early. I believe that's what the statement was by
4 counsel for Respondents. The petition was filed too
5 early.

6 To me, first of all, that's an admission.
7 It's an admission that the petition demonstrates
8 injury, but it also gets I guess to a certain extent,
9 you know, how long does one have to wait before one
10 files a petition?

11 I was trying to think of an analogy, and
12 when I was in the government there was a very popular
13 term. It was called a RIF. Maybe popular is the
14 wrong word. Maybe it was an unpopular term. A
15 reduction in force. I was fortunate. I never got a
16 RIF, but I had a few friends who did.

17 I had a friend. She was working for the
18 government, a very secure job, nice apartment, car, a
19 good income, security, or so she thought until she got
20 a RIF. She still had the car. She still had the
21 apartment. Her W-2s still looked pretty good, but I
22 would say that she was not a happy individual. I
23 would say that she didn't think that she was secure
24 anymore.

25 Well, that's an analogy that I see very

1 close to what we have here. Gleason and the rest of
2 the domestic industry is getting RIF'd right and left.
3 They've received a RIF notice from Home Depot, they've
4 received a RIF notice from Lowes, and they've been
5 receiving RIF notices for a number of years from
6 Granger.

7 But there is one difference between my
8 analogy and the analogy for my friend. She could find
9 another job. She could go out and take her resume
10 elsewhere. There's no elsewhere in this industry.
11 They can't find another job.

12 When they received a RIF, and there's some
13 question about whether or not that's material injury.
14 There's a question of whether it's threat. I think,
15 first of all, the material injury has been going on
16 for years. 2000, 2001, 2002. What we're seeing
17 perhaps via these RIFs is the real injury.

18 If we had waited -- well, I guess my
19 conclusion is perhaps the petition wasn't filed too
20 early. Maybe it was filed too late. Maybe we
21 shouldn't have waited for our notices.

22 Thank you.

23 MR. CARPENTER: Thank you, Mr. Jaffe and Mr.
24 Malashevich.

25 Mr. Bruno?

1 MR. BRUNO: For the record, I'm Philippe
2 Bruno.

3 In my opening remarks I said that there's
4 only one issue in this case, and that's the issue of
5 the threat of material injury. After the testimony
6 presented today by Petitioners, I think that we should
7 all be convinced that it is indeed the only issue
8 before the Commission.

9 Listening to the testimony earlier today,
10 there was no indication, no matter how eloquent
11 counsel for Petitioners is, that there is any material
12 injury based on the information provided by
13 Petitioners. Once again, look at the trends in
14 profitability, sales, production. There has been no
15 RIF with respect to employment.

16 The question is how do you assess threat of
17 material injury in this case? Is the industry today
18 vulnerable to the threat of Chinese imports, if there
19 is such a threat? For that you have to look at the
20 interim period. That's usually what the Commission
21 does. Look at the interim period.

22 Look at profitability. Look at the
23 profitability and compare it or analyze it in light of
24 the volume of Chinese imports in the marketplace.
25 Look at the market share. Look at the price

1 information that has already been put on the record
2 and which I understand is being collected at this
3 time. It doesn't mesh.

4 Those contracts from the lost customers that
5 were mentioned today have perhaps been lost for the
6 time being, but this loss in sales has not yet been
7 implemented during the interim period, so all you have
8 is competition of Chinese products against U.S. hand
9 truck products.

10 If you look at the data, you will see that
11 the data does not show that this industry is
12 vulnerable to the Chinese imports. It doesn't show
13 that the Chinese imports, no matter how high they were
14 during the interim period, have caused any problem to
15 this industry.

16 We can look at it from an emotional point of
17 view and say well, perhaps something is going to
18 happen in the future, but the Commission is not
19 permitted to engage in speculation with respect to the
20 threat of material injury. It has to be based on
21 facts and data, and the data so far on the record
22 doesn't show that this industry is vulnerable to the
23 threat of material injury by reason of Chinese
24 imports.

25 Thank you.

1 MR. CARPENTER: Thank you, Mr. Bruno.

2 My understanding is that there will be an
3 APO release this afternoon. It may or may not be
4 ready at this time, but you might want to stop by the
5 Secretary's office on your way out to see if it's
6 available to pick up.

7 The deadline for both the submission of
8 corrections to the transcript and for briefs in the
9 investigation is Tuesday, December 9. If briefs
10 contain business proprietary information, a non-
11 proprietary version is due on December 10.

12 The Commission is scheduled to vote on the
13 investigation on December 29 at 11:00 a.m. It will
14 report its determination to the Secretary of Commerce
15 later that day. Commissioners' opinions will be
16 transmitted to Commerce on January 6.

17 Thank you for coming. This conference is
18 adjourned.

19 (Whereupon, at 12:45 p.m. the conference in
20 the above-entitled matter was concluded.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Certain Hand Trucks From China
INVESTIGATION NO.: 731-TA-1059
HEARING DATE: December 4, 2003
LOCATION: Washington, D.C.
NATURE OF HEARING: Conference

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: December 4, 2003

SIGNED: LaShonne Robinson
Signature of the Contractor or the
Authorized Contractor's Representative
1220 L Street, N.W. - Suite 600
Washington, D.C. 20005

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceeding(s) of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker-identification, and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceeding(s).

SIGNED: Carlos Gamez
Signature of Proofreader

I hereby certify that I reported the above-referenced proceeding(s) of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceeding(s).

SIGNED: Mason Edwards
Signature of Court Reporter